SEC Number: 133653
File Number:________

ASIAN TERMINALS, INC.
(Company's Full Name)

A. Bonifacio Drive, Port Area, Manila
(Company's Address)

528-6000
(Telephone Number)

December 31
Calendar Year Ending
(Month & Day)

SEC Form 17-A
Form Type

NA
Amendment Designation (if applicable)

December 31, 2016
Period Ended Date

N/A
(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC Form 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1.	For the fiscal year ended	:	December 31, 2016
2.	SEC Identification Number	:	133653
3.	BIR Tax Identification Code	:	000-132-413
4.	Name of Issuer as Specified in its Charter	:	ASIAN TERMINALS, INC.
5.	Province, Country or other jurisdiction of Incorporation or organization	:	Manila, Philippines
6.	Industry Classification Code (SEC use only)	:	____________
7.	Address of Principal Office	:	A. Bonifacio Drive Port Area, Manila 1018
8.	Registrant's telephone number	:	(632) 528-6000
9.	Former name, address and fiscal year, if changed since last report	:	N/A

10. Securities registered pursuant to Section 8 and 12 of the Code or Sections 4 and 8 of the RSA:

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	2,000,000,000 shares

11. Are any or all of registrant's securities listed on a Stock Exchange?

    Yes [X]   No [ ]

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein: Philippine Stock Exchange, Inc.; common shares

12. Check whether the issuer

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder of Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports):

    Yes [X]   No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [X]   No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

Number of non-affiliate shares as of December 31, 2016	1,346,569,095
Closing price per share as of March 31, 2017	P11.90
Market value of stocks held by non-affiliates as of March 31, 2017	P16.02B

PART I- BUSINESS AND GENERAL INFORMATION

Item 1. Business

Corporate Background

Asian Terminals, Inc. (ATI), formerly known as Marina Port Services, Inc. (MPSI), incorporated on July 9, 1986 was organized to provide general services with respect to the operation and management of port terminals in the Philippines and overseas. In August 1990, a consortium of local and foreign companies acquired all the issued and outstanding capital stock of ATI.

South Harbor

ATI manages and operates the South Harbor pursuant to a Third Supplement to the Contract for Cargo Handling Services and Related Services granted by the Philippine Ports Authority (PPA) extending ATI's current contract for twenty five (25) years or until May 2038.

The Container Terminal Division handles stevedoring, arrastre, warehousing, storage, cranage, container freight station (CFS) and other port-related services for international shipping lines. ATI has a 5-year lease contract commencing in 2011 over two parcels of land located in Sta. Mesa, City of Manila, which continued in 2016. This land is being exclusively used as an off-dock empty container depot. In December 2014, a parcel of land belonging to Southern Textile Mills, Inc. located in Lawa, Laguna was leased for a period of 2.5 years, to serve as additional empty container handling facility.

Pier 13 is dedicated to General Stevedoring operations which provide arrastre, stevedoring and storage services to international shipping lines. With favorable berth depths from 9 to 11 meters, Pier 15 also simultaneously accommodates various gigantic foreign cruise ships and military vessels on goodwill visit in the country.

The ATI South Harbor facility is certified compliant with the International Ship and Port Facility Security (ISPS) Code issued by the Office for Transportation Security, DOTC valid until November 2019.

The ATI South Harbor facility has completed the recertification and certification audit for the Integrated Management Systems last November 2015 which covered ISO 14001:2004 (Environment), OSHAS 18001:2007 (Health and Safety) and ISO 9001: 2008 (Quality). The re-certification audit for ISO 28000: 2007(Specifications for the Supply Chain Security), was also completed last November 2016. The certificates are valid for three years.

Inland Clearance Depot

The Inland Clearance Depot (ICD) was established pursuant to Customs Memorandum Order No. 11-97 which designated ICD as an extension of the Port of Manila subject to customs supervision and control. This permits the immediate transfer of cargoes to the facility while still being cleared by customs in Manila. This provides savings in storage charges and efficient just-in-time delivery for clients in the CALABARZON area. The facility provides storage, trucking, just-in-time delivery, brokerage and maintenance and repair services for its clients. Customs Memorandum Order No. 23-2003 expanded the operations of the ATI-Calamba ICD to include servicing the Port of Batangas, in addition to the Port of Manila, amending CMO 11-97 for the purpose.

The ICD also serves as an empty container depot for shipping lines. This provides greater operational efficiency and minimizes locators' costs.

The facility is equipped with CCTV cameras for security monitoring.

The Inland Clearance Depot has completed the recertification and certification audit for the Integrated Management System last November 2015 which covers the ISO 14001:2004 (EMS), OSHAS 18001:2007 and ISO 9001: 2008. The certification audit for ISO 28000: 2007, was also completed last November 2016. The certificates are valid for three years.

Port of Batangas

ATI Batangas, Inc. (ATIB), a 99.17%-owned subsidiary of ATI, is the sole cargo handling contractor operating at the Port of Batangas. ATI provides management services to ATIB relating to operations, marketing, training and administration.

ATIB had a 10-year Cargo Handling Contract in Phase 1 of the Port of Batangas effective until October 2015, under which it provides arrastre, stevedoring, storage and related cargo handling services. By virtue of the same contract, ATIB was also given the right to manage and operate the Fastcraft Passenger Terminal and to provide specific services and amenities to all passengers, both for fastcraft and RO-RO vessels. On 2 October 2015, ATIB and ATI signed a Contract for the Management, Operation, Maintenance and Development of Phase I, Port of Batangas for a term commencing 01 October 2015 until 30 September 2025. This contract effectively consolidates the above-mentioned contracts of ATIB in Phase 1, Port of Batangas, and included the contract to lease the Main Passenger Terminal Building mentioned in the narrative below.

ATI has a 5-year lease agreement with PPA effective 3 April 2012 covering a land adjacent to the CFS area of the Container Terminal “A-1”. This area is being utilized as storage for completely built units (CBU) of vehicles.

ATIB is certified for ISO 14001:2004 valid until October 2017, OHSAS 18001:2007 valid until February 2018 and ISO 9001:2008 valid until December 2017. The certification Audit for ISO 28000:2007, was also completed last December 2016. The validity of the certificate is three years.

ATIB and Batangas Container Terminal is certified compliant with the International Ship and Port Facility Security (ISPS) Code issued by the Office for Transportation Security, DOTC valid until October 2017 and July 2017 respectively.

Batangas Supply Base

On February 13, 2007, ATIB entered into a contract to lease the Main Passenger Terminal Building for the purpose of operating a supply base for companies engaged in oil and gas exploration. The contract was initially effective for five (5) years, and was renewed to be effective until 19 October 2015. The agreement for this facility was included in the “Contract for the Management, Operation, Maintenance and Development of Phase I, Port of Batangas” which was renewed dated 2 October 2015 for a term of 10 years from 01 October 2015 until 30 September 2025.

ATI operates and manages the Batangas Supply Base within the Port of Batangas under a contract with Shell Philippines Exploration B.V. (SPEX). The Supply Base provides logistics support to the Malampaya Gas-to-Power-Project which includes cargo-handling, crane and equipment hire, transport, labor, vessel agency and waste management. The negotiations for the renewal of the SPEX contract are ongoing. The life of the Malampaya Gas field is approximately 20 years. Its other major client is Rubicon Offshore International.

The Batangas Supply Base is certified for ISO 14001:2004 valid until October 2017, OHSAS 18001:2007 valid until February 2018 and ISO 9001:2008 valid until December 2017. The certification Audit for ISO 28000:2007, was also completed last December 2016. The validity of the certificate is three years.

Batangas Container Terminal or BCT (Container Terminal "A-1", Phase II of the Port of Batangas)

On January 18, 2010, the PPA issued to ATI the Notice of Award re: the Contract for the Management, Operation, Maintenance, Development and Promotion of the Container Terminal "A-1", Phase II of the Port of Batangas for a period of 25 years. The contract was signed on March 25, 2010 and is effective for a term of 25 years. The Notice to Proceed dated June 16, 2010 allowed ATI to start and commence operations at the Terminal on 1 July 2010.

BCT serves MCC, SITC and RCL shipping lines, providing a wide range of port connections across Asia.

The container terminal handles stevedoring, arrastre, storage, container freight station (CFS) and other port related activities for domestic and international shipping lines. Other special services include ship's husbanding, maintenance and repair services, and trucking.

The BCT has completed the recertification and certification audit for the Integrated Management Systems last November 2015 which covered ISO 14001:2004 (Environment), OSHAS 18001:2007 (Health and Safety) and ISO 9001: 2008 (Quality). The re-certification audit for ISO 28000: 2007(Specifications for the Supply Chain Security), was also completed last November 2016. The certificates are valid for three years.

ATIB and Batangas Container Terminal is certified compliant with the International Ship and Port Facility Security (ISPS) Code issued by the Office for Transportation Security, DOTC valid until October 2017 and July 2017 respectively.

South Cotabato Integrated Port Services, Inc.

ATI owns 35.71% of the issued and outstanding capital stock of South Cotabato Integrated Port Services, Inc. (SCIPSI).

SCIPSI is the existing cargo handling operator at the Makar Wharf in the Port of General Santos, General Santos City. It is located near the business center of the city and caters to the needs of local businesses (which are engaged mainly in agriculture, fisheries, livestock and poultry) as well as importers and exporters.

The services provided by SCIPSI include container terminal handling, arrastre, stevedoring, bagging, domestic cargo handling and equipment services.

SCIPSI is ISO 14001:2004, OHSAS 18001:2007 and ISO 9001:2008 certified since 2004. It is Investors in People (IiP) certified beginning June 16, 2009. In September 2015, SCIPSI reached the IiP – Gold accreditation. In June 2016 win the IiP Gold Employer of the Year (International) Award in London.

The Port of General Santos is certified complaint with the International Ship and Port Facility Security Code issued by the Office of Transport Security (OTS) valid until 8 October 2017.

Breakdown of Consolidated Revenues

Based on accounting records, the following is the breakdown of consolidated revenues (in '000 PHP) by service type for the year ended December 31, 2014:

	2016		2015		2014	
Service	Amount	% to Total	Amount	% to Total	Amount	% to Total
Stevedoring	4,041,808	44%	3,157,739	39%	3,034,212	37%
Arrastre	3,644,314	39%	2,746,659	33%	2,613,551	32%
Logistics	108,417	1%	143,318	2%	152,623	2%
Special/Other Services	1,454,623	16%	2,098,781	26%	2,440,709	29%
TOTAL	**9,249,162**	**100%**	**8,146,497**	**100%**	**8,241,095**	**100%**

	2016		2015		2014	
Source	Amount	% to Total	Amount	% to Total	Amount	% to Total
Domestic	384,976	4%	393,588	5%	486,432	6%
Foreign	8,864,186	96%	7,752,909	95%	7,754,663	94%
TOTAL	**9,249,162**	**100%**	**8,146,497**	**100%**	**8,241,095**	**100%**

Competition

ATI manages the South Harbor at the Port of Manila. Its major competitor on the container business is International Container Terminal Services, Inc., which operates the Manila International Container Terminal; and on the non-containerized business, Harbour Centre Port Terminal Inc., which operates a private commercial port at the northern end of the Manila North Harbor.

At the Port of Batangas, ATIB competes with two (2) major private commercial ports on breakbulk cargoes --- Philippine National Oil Corporation Energy Base and Bauan International Port Inc. The Batangas Container Terminal has no direct competitor.

The ICD competes with ICTSI's Laguna Gateway Inland Container Terminal (LGICT) located in Calamba, Laguna. The LGICT is an extension of the seaport operations of the MICT.

Employees

ATI has a total manpower complement of 1,580 as of December 31, 2016. Of the total, 1,279 are in Operations, 174 are in Maintenance and 127 are in Management and Administration. The projected headcount for next 12 months is 1,716.

About 77% of the existing manpower is covered by collective bargaining agreements as follows:

TYPE OF WORKER	UNION	FROM	TO
Equipment operators and dockworkers	Associated Workers Union (AWU)	12/01/13	11/30/18
Stevedores	Katipunan ng mga Mangagawa sa Daungan	12/01/13	11/30/18
Field Supervisors	Associated Skilled and Technical Employees Union	08/16/16	08/15/21
Checkers	South Harbor Independent Port Checkers Union	09/07/16	09/07/21
Stevedores and dockworkers	Batangas Pier Stevedores and Labor Union	11/06/12	11/05/17

There were no labor strikes for the past twenty (20) years.

Costs and Effects of Compliance with Environmental Laws

In 2016 ATI incurred approximately Php 3.9 million for various environmental activities and other environment related projects. The Company also participated in Corporate Social Responsibility activities benefiting nearby communities.

ATI business units maintain its current certifications to ISO 14001:2004 Environmental Management System and OHSAS 18001:2007 Occupational Health and Safety Management System.

Business Risks

The Company regularly undertakes a Business Risk Profile review where risks are identified by priority based on a systematic assessment of probability and impact. Control strategies are identified and action points established with the designated accountable persons. Results and developments are monitored during reviews.

Adequate bonds and insurance coverage with business interruption clauses and global umbrella scope, structural testing and improvement of facilities and equipment, compliance with government regulations, asset management systems, business continuity plans, disaster recovery procedures, safety and health management systems, emergency response procedures and security management systems are in place to meet operational contingencies. Results and developments are monitored during reviews.

Process controls, intensified collection efforts, rationalization of capital and operational spending, close monitoring of economic indicators and financial planning and budget controls are practiced to address financial and strategic contingencies.

Aggressive marketing approach and customer relations, regular dialogue with concerned government entities and port users, productivity and efficiency improvements are initiated as far as commercial and legal contingencies are concerned.

Item 2. Properties

The Company has outstanding leases and subleases covering land, buildings, and offshore area in Manila, Calamba, Laguna and Sta. Clara, Batangas. Rental expenses on these properties in 2016 totaled P98.3 million. The current lease agreements have various expiration dates with the longest term expiring in April 2021. The leases are renewable upon mutual agreement with the lessor. There is no intention to purchase any of the real property currently being leased.

Main Facilities

South Harbor

The Container Terminal operates a facility with 4 container berths. It has 975 meters of quay line equipped with twin-lift capable ship-to-shore gantry cranes. Capacity was 1.03m prior to 2013 and has now been brought up to 1.2m through developments since 2013. South Harbor provides optimal service through modern equipment comprising of Rubber Tyred Gantries (RTG) with stacking capacity up to 6 levels , Container Stackers, Empty Handlers, and Internal Transfer Vehicles. The Truck Holding Area can accommodate up to 300 trucks. South Harbor has a Container Freight Station (CFS) and a Designated Examination Area with 5 x-ray machines. Since early 2014, with all domestic cargoes transferred to the domestic ports, the South Harbor facility offers efficient gate access through 5 corridors connecting to main roadways. The Terminal Operating System is managed with Navis SPARCS (Synchronous Planning and Real Time Control System), a graphical planning software that guides proper segregation and stacking of containers, vessels berthing, loading and unloading, and equipment control.

The General Services Division (GSD) occupies a single pier at the Manila South Harbor with a total of 5 berths and a beaching area for landing craft. It has three covered warehouses and a stacking area designed for completely built units. It is equipped with annually certified lifting gears and multiple heavy forklifts rated up to 30T. GSD also provides offshore conventional cargo handling at 18 anchorage berths inside the Manila Bay breakwater.

Inland Clearance Depot

ICD is a 4.2 hectare container yard facility. It has a maximum capacity of 2,600 TEUs. It is equipped with two (2) toploaders, one (1) reachstacker and one (1) unit of 3-tonner forklift to service the logistics requirement of clients. The core activities of ICD, among others, include the “Just-in-Time-Deliveries” for CALABARZON based consignees using the Ports of Batangas and Manila.

Port of Batangas (Phase 1)

The domestic terminal has 230-meter and 185-meter berths and three general cargo berths with lengths ranging from 130 meters to 180 meters. It has a storage area totaling 62,500 square meters (sqm) and a transit shed measuring 3,000 square meters. Additional services, through partnerships, include operating an offshore supply base.

ATIB operates two (2) modern passenger terminal buildings for high-speed inter-island ferries and RORO vessels. It has seven fast craft berths with a total length of 540 meters and a draft of five meters. It has a ferry berth 124 meters long with five meters draft and six RORO berths with a total length of 680 meters. The passenger terminal facility includes a 25,000 sqm. marshalling area for RORO vehicles. It can handle more than 3 million embarking passengers annually.

Batangas Container Terminal (Container Terminal “A-1”, Phase II of the Port of Batangas)

The Batangas Container Terminal (“A-1”, Phase 2) has an existing berth length of 450 meters with a draft of 13 meters. The approximate area of the entire facility of 162,500 sqm include the container yard, working apron, maintenance and control buildings, gates and roadways. The container yard has a total of 1,900 twenty-foot ground slots and equipped with 4 units of RTGs. Ship-to-shore operations are equipped with 2 Quay Cranes. The terminal is also equipped with 10 reefer platforms, a 4,100 sqm. CFS, RFID gate management system, full CCTV coverage, and back-up generator sets. Similar as in the South Harbor Container Terminal, the Terminal Operating System is managed with Navis SPARCS.

Batangas Supply Base

For its BSB operations, ATIB allocates an open area measuring nearly 11,000 sqm. for SPEX (Shell Philippines Exploration) in addition to a 2-level covered storage facility with a lot area of nearly 2,500 sqm.

South Cotabato Integrated Port Services Inc.

South Cotabato Integrated Port Services, Inc. (SCIPSI) operates the Makar Wharf in General Santos City. Cargoes are loaded or unloaded using ships gears. It has a total berth length of 850 meters. SCIPSI receives and handles cargoes through the use of their various lifting equipment with capacities ranging from 3 tons to 40 tons.

Item 3. Legal Proceedings

1. ATI - MAFSICOR Case –Regional Trial Court, Manila. On August 5, 1993, ATI (then Marina Port Services, Inc.) filed a Petition for Declaratory Relief with prayer for Injunction against MAFSICOR and PPA in connection with the contract between MAFSICOR and PPA dated April 2, 1992 allowing MAFSICOR to operate a floating grains terminal at the South Harbor. ATI contends that this encroached on its right as the exclusive provider of stevedoring services at the South Harbor. The petition for a Writ for Preliminary Prohibitory Injunction was denied by the RTC. On appeal, the RTC order was nullified by the Court of Appeals (CA) upholding the position of ATI and made permanent the preliminary injunction. MAFSICOR and PPA filed with the Supreme Court (SC) a Petition for Review which was granted and the injunction order was set aside. The SC ordered the RTC for a trial on the merits and remanded all the records of the case to the lower court. In 2012, MAFSICOR was declared in default for failure to attend several pre-trial conference hearings. In 2014, ATI moved to dismiss MAFSICOR's counterclaims on the ground of MAFSICOR's failure to attend court proceedings. ATI's motion to dismiss was denied; ATI filed a petition for certiorari with the Court of Appeals to question said denial. Meanwhile, the main case is pending with the trial court. In July 2015, the case was subjected to Judicial Dispute Resolution, but the parties failed to arrive at a settlement. In March 2016, the case was raffled to another court. The parties were required to submit Executive Summaries of the case. In October 2016, the judge suspended the proceedings to enable her to review the records of the case.
2. The Company is a party to legal proceedings which arose from normal business activities. However, Management believes that the ultimate liability, if any, resulting therefrom, has no material effect on the Company's financial position.

PART II- OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

1. The Company's common equity is traded at the Philippine Stock Exchange.

2015	High	Low
First Quarter (Jan. – Mar.)	14.48	11.50
Second Quarter (Apr. – June)	14.06	12,50
Third Quarter (July – Sept.)	13.56	11.00
Fourth Quarter (Oct. - Dec.)	11.98	10.90
2016	**High**	**Low**
First Quarter (Jan. – Mar.)	11.70	10.00
Second Quarter (Apr. – June)	11.92	10.64
Third Quarter (July – Sept.)	11.60	10.48
Fourth Quarter (Oct. - Dec.)	11.96	10.52

On December 28, 2016 (last day when ATI shares were traded for 2016), ATI shares were traded at its highest for the price of Php10.56, lowest for Php10.52 and closed at Php10.56.

The number of stockholders as of December 31, 2016 was 845. Of the 2,000,000,000 common shares outstanding as of December 31, 2016, a total 779,133,385 or 38.96% are foreign-owned.

Top 20 stockholders as of December 31, 2016:

Name	No. of Shares	% to Total
DP World Australia (POAL) Ltd.	346,466,600	17.32
ATI Holdings, Inc.	291,371,231	14.57
PCD Nominee Corporation (Filipino)	233,501,444	11.67
Pecard Holdings, Inc.	198,203,968	9.91
Philippine Seaport Inc.	196,911,524	9.85
Daven Holdings, Inc	155,906,071	7.80
PCD Nominee Corporation (Non-Filipino)	139,866,078	6.99
SG Holdings, Inc.	130,000,000	6.50
Morray Holdings Inc.	100,000,000	5.00
Harbourside Holding Corp.	80,000,000	4.00
Aberlour Holding Co. Inc.	71,517,463	3.58
Rescom Developers, Inc.	26,627,884	1.33
Tanco, Eusebio, H.	15,257,663	0.76
Granite Realty Corporation	1,000,000	0.05
Luym, Douglas	800,000	0.04
Tanco, Joseph Luym	795,000	0.04
Oben, Reginaldo Oben &/or Teresa	784,266	0.04
Sy Tian	682,666	0.03
Sy, Tiffany Grace Tan	667,000	0.03
Cheung Pek Ping	533,333	0.03
TOTAL	1,990,892,191	99.54

2. The cash dividends declared and paid out by the Company during the two (2) most recent fiscal years were as follows:

Date	Dividend Per Share	Record Date
April 23, 2015	0.41	May 15, 2015
April 28, 2016	0.41	May 20, 2016

Under the Company's By-Laws, dividends shall be declared only from unrestricted earnings, and shall be payable at such time and in such manner and in such amounts as the Board of Directors shall determine. No dividends shall be declared which would impair the capital of the Company.

3. Recent Sale of Unregistered Securities or Exempt Securities, including recent Issuances of Securities Constituting an Exempt Transaction (within 3 years)

None.

Item 6. Management Discussion and Analysis

Revenues for the year ended December 31, 2016 grew by 13.5% to P9, 249.2 million from P8,146.5 million in 2015. Revenues from South Harbor international containerized cargo increased from last year by 18.2% on account of higher container volume, which grew by 19.4%. Notably, in 2016, South Harbor international containerized cargo set a new record as it broke through the one-million teu (twenty-foot equivalent unit) mark for the first time. Likewise, revenues in Port of Batangas was higher by 16.1% compared to last year following a 42.2% growth in volume of international Completely Built Units (CBUs). On the other hand, revenues from South Harbor international non-containerized cargo and Batangas Container Terminal were down from last year by 11.8%, and 4.2%, respectively.

Port authorities' share in revenues in 2016 totaled P1,711.6 million, 21.4% higher than last year resulting from higher revenues subject to port authorities' share.

Cost and expenses in 2016 of P4,301.0 million went up by P564.8 million 15.1% from P3,736,1 million in 2015. Labor costs in 2016 of P1,192.5 million were higher by 9.3% compared to P1,091.4 million in 2015 due to higher headcount and salary rate increases. Depreciation and amortization in 2016 of P1,136.5 million increased by 20.3% from P944.9 million in 2015 on account of additions to intangible assets and property and equipment. Equipment running in 2016 slightly went up by 0.5% to P485.3 million from P482.8 million in 2015. Facilities-related expenses in 2016 went up by 13.6% to P183.6 million from P161.6 million in 2015 due to higher repair and maintenance costs for wharves and IT costs. Professional fees in 2016 amounted to P174.3 million vs. P47.7 million in 2015, which mainly pertain to legal and consultancy fees. Marketing, commercial, and promotion in 2016 increased to P136.2 million from P36.7 million in 2015 due to increased marketing and communications efforts. Management fees in 2016 rose by 7.4% to P113.0 million from P105.2 million in 2015 following higher net income. Other expenses in 2016 totaled P223.2 million, up by 20.5% from P185.2 million in 2015 due to higher general operations and CSR expenses.

On the other hand, Taxes and licenses in 2016 decreased by 8.7% to P254.9 million from P279.3 million due to lower real property taxes. General transport costs in 2016 of P14.9 million were lower by 30.8% compared to P21.5 million in 2015 on account of lower trucking costs in South Harbor and Laguna.

Finance income amounted to P62.0 million in 2016, 20.4% up from P51.5 million in 2015 due to higher interest rates for money market placements. Finance costs in 2016 of P581.2 million were higher by 5.9% compared to P548.8 million in 2015 due to increases in interest expense on port concession rights payable and defined benefit pension plans. Others-net in 2016 was negative P113.0 million, 57.0% higher than P71.9 million in 2015. This account included unrealized forex losses of P60.3 million and P35.4 million in 2016 and 2015, respectively, resulting from revaluation of dollar-denominated concession rights payable and fair value losses on a cash flow hedge of P211.9 million and P99.5 million in 2016 and 2015, respectively, following the depreciation of the Philippine Peso against the US Dollar.

Income before income tax in 2016 of P2,604.5 million was higher by 7.1% compared to P2,431.9 million in 2015. Provision for income tax in 2016 increased by 5.2% to P699.5 million from P664.7 million in 2015.

Net income for the year ended December 31, 2016 improved by 7.8% to P1,905.0 million from P1.767.2 million last year. Earnings per share was up to P0.95 in 2016 from P0.88 in 2015. Without the foreign exchange impact – as per accounting rules brought in since 2013 – net income would have been P2,095.5 million, 12.6% higher than P1,861.6 million in 2015, on a like-for-like basis.

Plans for 2017

Asian Terminals Inc. will continuously optimize its ports in Manila and Batangas for containerized cargo, non-containerized cargo and passenger handling, keeping these vital gateway port facilities competitive to customer needs and responsive to market demands.

At the core of this is ATI's programed capital investments worth Php4.6 billion for 2017 in line with its investment commitment with the Philippine Ports Authority.

The robust Batangas Port takes center stage this year as ATI positions it for future growth ahead for both the domestic passenger and roll-on/roll-off segments as well as the international container cargo business.

As a forward-looking company, ATI keeps its eyes open for more business growth drivers, including exploring new port operations locally or overseas, given the right opportunity. Combining the global leadership of its strategic foreign shareholder DP World and the best of Filipino talent, ATI shall continue optimizing its resources, expertise and management capabilities to bring its competencies where growth potential is high and where it could add greater value to its shareholders.

Consolidated Financial Condition

Total assets as of December 31, 2016 grew by 8.4% to P23,139.0 million from P21,341.8 million as of December 31, 2015. Total current assets as of December 31, 2016 increased by 35.4% to P7,090.2 million from P5,237.6 million as of December 31, 2015. Cash and cash equivalents as of December 31, 2016 went up by 42.8% to P5,881.2 million from P4,118.8 million as of December 31, 2015. Trade and other receivables-net as of December 31, 2016 rose by 21.0% to P426.5 million from P352.4 million as of December 31, 2015. Spare parts and supplies-net as of December 31, 2016 of P314.6 million were higher by 19.7% compared to P262.8 million as of December 31, 2015 in support of operational requirements and equipment maintenance program. Prepaid expenses of P467.9 million as of December 31, 2016 declined by 7.1% from P503.7 million as of December 31, 2015.

Total non-current assets of P16,048.8 million as of December 31, 2016 were slightly lower by 0.3% compared to P16,104.2 million as of December 31, 2015. Property and equipment-net decreased by 1.6% to P483.2 million as of December 31, 2016 from P491.0 million as of December 31, 2015. Additions to property and equipment which were not subject of the service concession arrangement totaled P81.7 million in 2016. Intangible assets-net as of December 31, 2016 of P14,716.5 million were lower by 1.5% compared to P14,934.3 million as of December 31, 2015. Acquisitions of intangible assets which consisted of civil works and cargo handling equipment that were subject of the service concession arrangement amounted to P832.9 million in 2016. Deferred tax assets-net as of December 31, 2016 of P733.4 million was up by 29.5% to P566.3 million as of December 31, 2015, pertaining to additional deferred tax on concession rights payable, cash flow hedge, and unrealized foreign exchange losses. Other noncurrent assets as of December 31, 2016 increased by 3.1% to P61.0 million from P59.1 million as of December 31, 2015.

Total liabilities rose by 7.4% to P11,378.9 million as of December 31, 2016 from P10,594.1 million as of December 31, 2015. Trade and other payables as of December 31, 2016 of P2,000.4 million were higher by 41.4% than P1,414.3 million as of December 31, 2015. Trade and other payables are covered by agreed payment schedules. Provision for claims dropped by 4.8% to P50.9 million as of December 31, 2016 from P53.5 million as of December 31, 2015. Income and other taxes increased by 1.5% to P197.9 million as of December 31, 2016 from P195.0 million as of December 31, 2015. Port concession rights payable (current and noncurrent) as of December 31, 2016 totaled P8,985.9 million, 2.8% above the P8,740.7 million as of December 31, 2015 due to full-year impact of the contract for Port of Batangas renewed in October 2015 resulting to adoption of IFRIC 12. Pension liability as of December 31, 2016 of P143.9 million were lower by 24.5% compared to P190.6 million as of December 31, 2015.

Consolidated Cash Flows

Net cash provided by operating activities increased by 48.8% to P4,158.4 million in 2016 from P2,794.1 million in 2015 due to higher operating income.

Net cash used in investing activities in 2016 of P862.7 million were 15.6% higher than P746.4 million in 2015 due to higher acquisitions of property and equipment and intangible assets.

Cash used in financing activities in 2016 of P1,534.8 million were slightly lower by 0.1% than the P1,536.6 million in 2015. Cash dividends paid amounted to P820.0 million in 2016 and 2015.

Adoption of New or Revised Standards, Amendments to Standards and Interpretation

The following are the new standards, amendment to standards, and interpretations, which are effective January 1, 2015 and are applicable to the Company and none of these is expected to have a significant effect on the consolidated financial statements:

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16 and PAS 38).* The amendments to PAS 38, *Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated,' or when the intangible asset is expressed as a measure of revenue.

  The amendments to PAS 16, *Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g. changes in sales volumes and prices.

- *Equity Method in Separate Financial Statements (Amendments to PAS 27).* The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries.

- *Annual Improvements to PFRSs 2012 - 2014 Cycle.* This cycle of improvements contains amendments to four standards, none of which are expected to have significant impact on the Group's consolidated financial statements.

  - *Disclosure of information "elsewhere in the interim financial report" (Amendment to PAS 34).* PAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report" - i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report). The interim financial report is incomplete if the interim financial statements and any disclosure incorporated by cross‑reference are not made available to users of the interim financial statements on the same terms and at the same time.

    The amendment to PAS 34 is applied retrospectively, in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

  - *Disclosure Initiative (Amendments to PAS 1)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:

    - Information should not be obscured by aggregating or by providing immaterial information.

- Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.

- The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

- An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2016. However, the Group has not applied the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

Effective January 1, 2017

- *Disclosure initiative (Amendments to PAS 7)*. The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes – e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

  The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. When an entity first applies the amendments, it is not required to provide comparative information for preceding periods.

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12)*. The amendments clarify that:

  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;

  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;

  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2017. Early adoption is permitted. On initial application, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If an entity applies the relief, it shall disclose that fact.

Effective January 1, 2018

- PFRS 9, *Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

  The Group is assessing the potential impact on its consolidated financial statements resulting from the application of PFRS 9.

- PFRS 15, *Revenue from Contracts with Customers* replaces PAS 11, *Construction Contracts*, PAS 18 *Revenue* and related Philippine Interpretations. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

  However, the FRSC has yet to issue/approve this new revenue standard for local adoption pending completion of a study by the Philippine Interpretations Committee on its impact on the real estate industry. If approved, the standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Effective January 1, 2019

- *PFRS 16 Leases* supersedes PAS 17 *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of PFRS 16.

The Group is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date.

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28).* The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

  The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

  Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date of these amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Other information:

- The Company's businesses are affected by the local and global trade environment. Factors that could cause actual results of the Company to differ materially include, but are not limited to:
  - material adverse change in the Philippine and global economic and industry conditions;
  - natural events (earthquake, typhoons and other major calamities); and
  - material changes in exchange rates.
- There was no known trend, event or uncertainty that had or may have a material impact on liquidity and on revenues or income from continuing operations. There was no known event that may cause a material change in the relationships between costs and revenues.
- There was no seasonal factor that had a material effect on the financial condition and results of operations.
- There was no event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- Except for the commitments and contingencies mentioned in Note 23 of the consolidated financial statements, the Company has no knowledge of any material off-balance sheet (statement of financial position) transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period that would address the past and would have material impact on future operations.
- Projected capital expenditures for 2017 is P4.6 billion, which includes yard and berth development as well as equipment acquisition. The capital expenditure will strengthen the Company's operations and capability to handle growth and will be sourced from internal funds.

Key Performance Indicators (KPIs)

KPIs discussed below were based on consolidated amounts as portions pertaining to the Company's subsidiary, ATI Batangas, Inc. (ATIB) were not material. As of end 2016:

- ATIB's total assets were only 9.6% of the consolidated total assets
- Income before other income and expense from ATIB was only 14.1% of consolidated income before other income and expense.[1]

Consolidated KPI	Manner of Calculation	2016	2015	Discussion
Return on Capital Employed	Percentage of income before interest and tax over capital employed	16.2%	15.5%	Increase resulted from higher income before other income (expense) during the period.
Return on Equity attributable to equity holders of the parent	Percentage of net income over equity attributable to equity holders of the parent	16.9%	17.0%	Decrease due to higher equity.
Current ratio	Ratio of current assets over current liabilities	2.85 : 1.00	2.82 : 1.00	Increase due to higher current asset.
Asset to equity ratio	Ratio of total assets over equity attributable to equity holders of the parent	1.97 : 1.00	1.99 : 1.00	Decrease due to higher equity.
Debt to equity ratio	Ratio of total liabilities over equity attributable to equity holders of the parent	0.97 : 1.00	0.99 : 1.00	Decrease due to higher equity.
Days Sales in Receivables (DSR)	Gross trade receivables over revenues multiplied by number of days	12 days	8 days	Due to higher trade receivables.
Net Income Margin	Net income over revenues less government share in revenues	25.3%	26.2%	Decrease due to higher expenses.
Reportable Injury Frequency Rate (RIFR)[2]	Number of reportable injuries within a given accounting period relative to the total number of hours worked in the same accounting period.	1.05	1.63	Improved as a result of extensive safety campaign and strict implementation of HSES policies.

[1] Income before other income and expense is defined as income before net financing costs, net gains on derivative instruments and others.

[2] RIFR is the new KPI for injuries introduced in 2014 to replace LTIFR. RIFR is a more stringent KPI as it covers not only Lost Time Injuries (LTIs) but also Medically Treated Injuries (MTIs) and Fatality incidents.

Summary of Selected Financial Data (in millions)

Description	*Year ended December 31, 2016*	*Year ended December 31, 2015*
Revenues	*P 9,249.2*	*P 8,146.5*
Net income	*1,905.0*	*1,767.2*
Total assets	*23,139.0*	*21,341.8*
Total liabilities	*11,378.9*	*10,594.1*

Years ended December 31, 2015 and 2014

Revenues for the year ended December 31, 2015 totaled P8,146.5 million, 1.1% down from P8,241.1 million in 2014. With the soft market environment, revenues from South Harbor international containerized cargo were lower than last year following lower container volume, which were down by 1.3%. On the other hand, due to volume growth, revenues from South Harbor international non-containerized cargo, Batangas Container Terminal, and Port of Batangas were higher than last year by 14.7%, 57.5%, and 15.9%, respectively. Volume of international containers handled at BCT grew by 35%, while volumes of international CBUs in ATIB grew by 21%.

Port authorities' share in revenues in 2015 declined by P246.0 million or 14.9% from last year following lower revenues subject to port authorities' share.

Cost and expenses in 2015 of P3,736.1 million increased by 137.9 million 3.8% from P3,598.2 million in 2014. Labor costs rose by 11.5% to P1,091.4 million in 2015 from P978.9 million in 2014 due to increase in headcount and salary rate increases. Depreciation and amortization in 2015 of P944.9 million went up by 9.6% compared to P862.0 million in 2014 on account of additions to intangible assets and property and equipment. Taxes and licenses of P279.3 million in 2015 grew by 29.5% from P215.6 million in 2014 due to higher realty tax on account of higher real property and business taxes. Facilities-related expenses in 2015 slightly up by 1.1% to P161.6 million from P159.8 million in 2014 due to higher pavement repair and maintenance costs. Security, health, environment and safety costs in 2015 of P160.2 million were higher by 5.1% compared to P152.4 million in 2014 due to additional security posts for additional areas and increased industrial safety focus. Other expenses in 2015 totaled P185.2 million, up by 8.3% from P171.0 million last year.

On the other hand, Equipment running costs decreased by 10.8% to P482.8 million in 2015 from P541.6 million in 2014 mainly due to lower fuel costs. Rentals totaled P150.3 million in 2015, 12.1% down from P171.0 million in 2014. Marketing, commercial and promotion in 2015 declined by 35.3% to P36.7 million from P56.7 million in 2014 due to lesser advertising costs. Management fees in 2015 of P105.2 million were lower by 9.2% compared to P115.9 million in 2014 following lower net income. Insurance in 2015 of P64.4 million were lower than 14.1% compared to P74.9 million in 2014 due to lower property insurance premiums. Professional fees in 2015 went down by 8.9% to P47.7 million from P52.4 million in 2014. General transport costs dropped by 48.5% to P21.5 million in 2015 from P41.8 million in 2014 on account of lower trucking costs in Inland Clearance Depot.

Finance costs in 2015 amounted to P548.8 million, up by 1.5% from P540.5 million in 2014 due to increases in interest expense on port concession rights payable and defined benefit pension plans. Finance income increased by 59.8% to P51.5 million in 2015 from P32.2 million in 2012 due to higher interest rates for money market placements. Others-net in 2015 amounted to negative P71.9 million while in 2014, Others-net amounted to P181.3 million. This account includes net forex losses of P35.4 million and net forex gains of P98.7 million in 2015 and 2014, respectively, resulting from revaluation of dollar-denominated concession rights payable. Also, this account includes fair value losses on a cash flow hedge of P99.5 million and P19.9 million in 2015 and 2014, respectively.

Income before income tax of P2,431.9 million in 2015 was lower by 8.6% compared to P2,660.7 million in 2014. Provision for income tax in 2015 decreased by12.4% to P664.7 million from P759.3 million in 2014.

Net income for the year ended December 31, 2015 was P1,767.2 million, 7.0% below than P1,901.3 million last year. Earnings per share was down to P0.88 in 2015 from P0.95 in 2014. Without the foreign exchange impact – as per accounting rules brought in since 2013 – net income would have been P1,858.6 million, 0.8% up from P1,843.9 million in 2014 on a like-for-like basis.

Consolidated Financial Condition

Total assets as of December 31, 2015 rose by 7.4% to P21,341.8 million from P19,870.7 million as of December 31, 2014. Total current assets as of December 31, 2015 grew by 10.9% to P5,237.6 million from P4,723.2 million as of December 31, 2014. Cash and cash equivalents of P4,118.8 million as of December 31, 2015 were higher by 14.2% compared to P3,606.9 million as of December 31, 2014. Trade and other receivables-net as of December 31, 2014 dropped by 26.4% to P352.4 million from P478.8 million as of December 31, 2014. Spare parts and supplies-net as of December 31, 2015 of P262.8 million increased by 35.3% from P194.3 million as of December 31, 2014 in support of operational requirements and equipment maintenance program. Prepaid expenses of P503.7 million as of December 31, 2015 went up by 13.6% from P443.2 million as of December 31, 2014.

Total non-current assets of P16,104.2 million as of December 31, 2015 were 6.3% higher compared to P15,147.5 million as of December 31, 2014. Property and equipment-net went up by 7.8% to P491.0 million as of December 31, 2015 from P455.6 million as of December 31, 2014. Additions to property and equipment which were not subject of the service concession arrangement totaled P141.5 million. Intangible assets-net increased by 5.4% to P14,934.3 million as of December 31, 2015 from P14,175.4 million as of December 31, 2014. Acquisitions of intangible assets which consisted of civil works and cargo handling equipment that were subject of the service concession arrangement amounted to P664.2 million in 2015. Deferred tax assets-net went up by 46.4% to P566.3 million as of December 31, 2015 from P386.9 million as of December 31, 2014 resulting from the additional deferred tax on concession rights payable, cash flow hedge, and unrealized foreign exchange losses. Other noncurrent assets as of December 31, 2015 declined by 15.7% to P59.1 million from P70.2 million as of December 31, 2014 due to amortization of input taxes on additions to property and equipment and intangible assets.

Total liabilities went up by 7.3% to P10,594.1 million as of December 31, 2015 from P9,873.3 million as of December 31, 2014. Trade and other payables as of December 31, 2015 amounted to P1,414.3 million, 24.0% lower than P1,861.7 million as of December 31, 2014. Trade and other payables are covered by agreed payment schedules. Provision for claims rose by 5.5% to P53.5 million as of December 31, 2015 from P50.8 million as of December 31, 2014. Income and other taxes decreased by 6.9% to P195.0 million as of December 31, 2015 from P209.6 million as of December 31, 2014. Port concession rights payable (current and noncurrent) as of December 31, 2015 totaled P8,740,7 million, 14.6% below the P7,629.4 million as of December 31, 2014 due to contract renewal for Port of Batangas in October 2015 resulting to adoption of IFRIC 12. Pension liability as of December 31, 2015 of P190.6 million were higher by 56.4% compared to P121.8 million as of December 31, 2014.

Consolidated Cash Flows

Net cash provided by operating activities amounted to P2,794.1 million in 2015, lower by 11.6% vs. P3,162.6 million in 2014 due to lower operating income.

Net cash used in investing activities in 2015 of P746.4 million were lower by 22.5% compared to P963.0 million in 2014 on account of lower acquisitions of property and equipment and intangible assets.

Cash used in financing activities in 2015 of P1,536.6 million were 14.8% higher than the P1,338.6 million in 2014 due to higher dividends and payments of PPA fixed fees for the period. Cash dividends paid in 2015 amounted to P820.0 million while amount paid in 2014 was P700.0 million.

Adoption of New or Revised Standards, Amendments to Standards and Interpretation

The following are the new standards, amendment to standards, and interpretations, which are effective January 1, 2015 and are applicable to the Company and none of these is expected to have a significant effect on the consolidated financial statements:

- *Defined Benefit Plans: Employee Contributions (Amendments to PAS 19).* The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

- *Annual Improvements to PFRSs: 2010 – 2012 and 2011 - 2013 Cycles* – Amendments were made to a total of nine standards, with changes made to the standards on business combinations and fair value measurement in both cycles. Most amendments will apply prospectively for annual periods beginning on or after July 1, 2014. Earlier application is permitted, in which case the related consequential amendments to other PFRSs would also apply. Special transitional requirements have been set for amendments to the following standards: PFRS 2, PAS 16, PAS 38 and PAS 40.

- *Definition of 'related party' (Amendment to PAS 24).* The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 – e.g. loans.

To be adopted on January 1, 2018

- *PFRS 9 Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39 *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of PFRS 9.

Other information:

- The Company's businesses are affected by the local and global trade environment. Factors that could cause actual results of the Company to differ materially include, but are not limited to:
  - material adverse change in the Philippine and global economic and industry conditions;
  - natural events (earthquake, typhoons and other major calamities); and
  - material changes in exchange rates.
- There was no known trend, event or uncertainty that had or may have a material impact on liquidity and on revenues or income from continuing operations. There was no known event that may cause a material change in the relationships between costs and revenues.
- There was no seasonal factor that had a material effect on the financial condition and results of operations.
- There was no event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- Except for the commitments and contingencies mentioned in Note 23 of the consolidated financial statements, the Company has no knowledge of any material off-balance sheet (statement of financial position) transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period that would address the past and would have material impact on future operations.

Key Performance Indicators (KPIs)

KPIs discussed below were based on consolidated amounts as portions pertaining to the Company's subsidiary, ATI Batangas, Inc. (ATIB) were not material. As of end 2015:

- ATIB's total assets were only 9.2% of the consolidated total assets
- Income before other income and expense from ATIB was only 12.6% of consolidated income before other income and expense.[3]

Consolidated KPI	Manner of Calculation	2015	2014	Discussion
Return on Capital Employed	Percentage of income before interest and tax over capital employed	15.5%	17.4%	Decrease resulted from lower income before other income (expense) during the period.
Return on Equity attributable to equity holders of the parent	Percentage of net income over equity attributable to equity holders of the parent	17.0%	20.1%	Decrease due to lower net income.
Current ratio	Ratio of current assets over current liabilities	2.82 : 1.00	2.09 : 1.00	Increase due to higher current asset.

[3] Income before other income and expense is defined as income before net financing costs, net gains on derivative instruments and others.

Asset to equity ratio	Ratio of total assets over equity attributable to equity holders of the parent	1.99 : 1.00	1.99 : 1.00	
Debt to equity ratio	Ratio of total liabilities over equity attributable to equity holders of the parent	0.99 : 1.00	0.99 : 1.00	
Days Sales in Receivables (DSR)	Gross trade receivables over revenues multiplied by number of days	8 days	12 days	Due to improved collection efforts.
Reportable Injury Frequency Rate (RIFR)[4]	Number of reportable injuries within a given accounting period relative to the total number of hours worked in the same accounting period.	1.63	1.95	Improved as a result of extensive safety campaign and strict implementation of HSES policies.

Summary of Selected Financial Data (in millions)

Description	*Year ended December 31, 2015*	*Year ended December 31, 2014*
Revenues	*P 8,146.5*	*P 8,241.1*
Net income	*1,767.2*	*1,901.3*
Total assets	*21,341.8*	*19,870.7*
Total liabilities	*10,594.1*	*9,873.3*

Years ended December 31, 2014 and 2013

Revenues for the year ended December 31, 2014 of P8,241.1 million grew by 25.4% from P6,573.5 million in 2013. Revenues were higher than last year due to the following: 1) higher international containerized cargo volumes in Batangas Container Terminal, up by 762.5% from last year; 2) higher volumes handled in Port of Batangas; and 3) higher revenues from Inland Clearance Depot. On the other hand, revenues from South Harbor international non-containerized cargo decreased by P1.4 million or 0.4% due to lower volume.

Port authorities' share in revenues increased by 48.4% to P1,655.2 million in 2014 from P1,115.6 million in 2016 following higher revenues subject to port authorities' share.

Cost and expenses in 2014 totaled P3,598.2 million, 21.8% higher than the P2,955.3 million in 2013. Labor costs went up by 12.6% to P978.9 million in 2014 from P869.1 million in 2013 due to increased manpower requirements to support higher volumes handled and salary rate increases. Depreciation and amortization in 2014 of P862.0 million were higher by 10.9% compared to P776.9 million in 2013 on account of additions to intangible assets and property and equipment. Equipment running costs grew by 12.8% to P541.6 million in 2014 from P480.1 million in 2013 due to higher repairs and maintenance and parts replacement costs for cargo handling equipment and higher fuel costs brought about by truck ban port congestion. Taxes and licenses of P215.6 million in 2014 went up by 27.6% from P169.0 million in 2013 due to

[4] RIFR is the new KPI for injuries introduced in 2014 to replace LTIFR. RIFR is a more stringent KPI as it covers not only Lost Time Injuries (LTIs) but also Medically Treated Injuries (MTIs) and Fatality incidents.

higher realty tax on account of increased real property (land) valuation (Ordinance No. 8330), declaration of additional areas and equipment and higher tax rate. Security, health, environment and safety costs in 2014 increased by 57.1% to P152.4 million from P97.0 million in 2013 due to additional security posts for additional areas as part of expansion, truck ban port congestion management and increased industrial safety focus. Rentals of P171.0 million in 2014 rose by 85.1% from P92.4 million in 2013 due to higher equipment rentals relative to higher volumes and additional space rentals. Management fees in 2014 of P115.9 million were higher by 36.1% compared to P85.2 million in 2013 following higher net income. Facilities-related expenses in 2014 went up by 13.0% to P159.8 million from P141.5 million in 2013 due to higher utilities, lightings and building maintenance expenses, and higher IT costs. Professional fees in 2014 of P52.4 million were higher by 93.3% compared to P27.1 million in 2013 on account of higher consultancy and recruitment fees. Other expenses in 2014 totaled P227.7 million, up by 153.0% from P90.0 million last year, as last year included reversal of excess provisions for claims relating to cargo, labor, and civil cases and this year included higher expenses related to corporate responsibility and provisions for obsolescence.

On the other hand, Insurance in 2014 amounted to P74.9 million, 4.5% down from P78.5 million in 2013 due to lower property insurance premiums. General transport costs declined by 5.8% to P41.8 million in 2014 from P44.3 million in 2013 on account of lower trucking costs in Sta. Mesa Empty Depot.

Finance costs in 2014 increased by 14.8% to P540.5 million from P470.8 million in 2013 mainly due to higher interest expense on port concession rights payable. Finance income decreased by 39.7% to P32.2 million in 2014 from P53.4 million in 2013 due to lower interest rates for money market placements. Others-net amounted to P181.3 million while in 2013, Others-net amounted to negative P426.8 million. This account includes net forex gains of P98.7 million in 2014 and net forex losses of P517.1 million in 2013 resulting from revaluation of dollar-denominated concession rights payable. Also, this account includes fair value losses on a cash flow hedge, which commenced on July 1, 2014.

Income before income tax amounted to P2,660.7 million in 2014, 60.4% higher than P1,658.3 million in 2013. Provision for income tax in 2014 increased by 67.7% to P759.3 million from P452.8 million in 2013.

Net income for the year ended December 31, 2014 of P1,901.3 million was 57.7% above the P1,205.5 million last year. Earnings per share was up to P0.95 in 2014 from P0.60 in 2013. Without the foreign exchange impact – as per accounting rules brought in from 2013 – net income would have been P1,846.1 million, up 17.8% from P1,567.5 million in 2013 on a like-for-like basis.

Consolidated Financial Condition

Total assets as of December 31, 2014 grew by 6.5% to P19,870.7 million from P18,649.3 million as of December 31, 2013. Total current assets as of December 31, 2014 increased by 27.7% to P4,723.2 million from P3,705.4 million as of December 31, 2013. Cash and cash equivalents of P3,606.9 million as of December 31, 2013 were higher by 31.2% compared to P2,750.1 million as of December 31, 2013. Trade and other receivables-net as of December 31, 2014 rose by 31.2% to P478.8 million from P365.0 million as of December 31, 2013 on account of higher revenues for the period. Spare parts and supplies-net as of December 31, 2014 of P194.3 million went up by 3.2% from P188.2 million as of December 31, 2013 in support of operational requirements and equipment maintenance program. Prepaid expenses of P443.2 million as of December 31, 2014 increased by 10.2% from P402.2 million as of December 31, 2013.

Total non-current assets amounted to P15,147.5 million as of December 31, 2014, 1.4% higher compared to P14,943.9 million as of December 31, 2013. Property and equipment-net grew by 33.3% to P455.6 million as of December 31, 2014 from P341.7 million as of December 31, 2013. Additions to property and equipment which were not subject of the service concession arrangement totaled P163.5 million. Intangible assets-net increased by 0.2% to P14,175.4

million as of December 31, 2014 from P14,153.2 million as of December 31, 2013. Acquisitions of intangible assets which consisted of civil works and cargo handling equipment that were subject of the service concession arrangement amounted to P853.0 million in 2014, which was partly offset by amortization for the period. Deferred tax assets-net went up by 26.6% to P386.9 million as of December 31, 2014 from P305.7 million as of December 31, 2013 resulting from the additional deferred tax on concession rights payable. Other noncurrent assets as of December 31, 2014 decreased by 18.0% to P70.2 million from P85.5 million as of December 31, 2013 due to amortization of input taxes on additions to property and equipment and intangible assets.

Total liabilities increased by 1.4% to P9,873.3 million as of December 31, 2014 from P9,734.0 million as of December 31, 2013. Trade and other payables as of December 31, 2014 totaled P1,861.7 million, 6.2% higher than P1,752.2 million as of December 31, 2013. Trade and other payables are covered by agreed payment schedules. Provision for claims went down by 2.5% to P50.8 million as of December 31, 2014 from P52.1 million as of December 31, 2013 due to settlement of claims. Income and other taxes payable went up by 23.9% to P209.6 million as of December 31, 2014 from P169.1 million as of December 31, 2013 on account of income tax for the period. Port concession rights payable (current and noncurrent) as of December 31, 2014 totaled P7,629.4 million, 0.8% below the P7,694.7 million as of December 31, 2013 due to payments of PPA fixed fees. Pension liability as of December 31, 2014 of P121.8 million were higher by 84.5% compared to P66.0 million as of December 31, 2013.

Consolidated Cash Flows

Net cash provided by operating activities amounted to P3,162.6 million in 2014, higher by 8.6% vs. P2,911.9 million in 2013 due to higher operating income.

Net cash used in investing activities in 2014 of P963.0 million were lower by 49.4% compared to P1,902.7 million in 2013. Last year included the initial recording of the concession rights asset (intangibles) following the change in accounting policy in relation to fixed concession fees.

Cash used in financing activities in 2014 of P1,338.6 million were 4.6% higher than the P1,280.1 million in 2013 mainly due to payments of PPA fixed fees for the period. Cash dividends paid in 2014 amounted to P700.0 million, the same amount paid in 2013.

Adoption of New or Revised Standards, Amendments to Standards and Interpretation

Except as otherwise indicated, the adoption of the amendments to standards did not have any significant impact on the Group's consolidated financial statements.

- *Offsetting Financial Assets and Financial Liabilities (Amendments to* PAS 32*).* These amendments clarify that: (a) an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and (b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle.
- *Recoverable Amount Disclosures for Non-Financial Assets (Amendments to* PAS 36*)*. These narrow-scope amendments to PAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarified that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.
- *Novation of Derivatives and Continuation of Hedge Accounting (Amendments to* PAS 39*)*. The amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions

are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

- *Philippine Interpretation* IFRIC 21 *Levies*. This interpretation provides guidance on accounting for levies in accordance with the requirements of PAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation confirms that an entity recognizes a liability for a levy when, and only when, the triggering event specified in the legislation occurs. An entity does not recognize a liability at an earlier date even if it has no realistic opportunity to avoid the triggering event. Other standards should be applied to determine whether the debit side is an asset or expense. Outflows within the scope of PAS 12 *Income Taxes*, fines and penalties, and liabilities arising from emission trading schemes are explicitly excluded from the scope.

New or Revised Standards and Amendments to Standards Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2014. However, the Group has not applied the following new standard in preparing these consolidated financial statements. PFRS 9 is not expected to have a significant impact on the Group's consolidated financial statements.

- PFRS 9 *Financial Instruments*. PFRS 9, published in July 2014, replaces the existing guidance in PAS 39 *Financial Instruments: Recognition and Measurement*. PFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from PAS 39. PFRS is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- *Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments to PAS 16 and PAS 38).
- *Annual Improvements to* PFRSs 2010-2012 Cycle.
- *Annual Improvements to* PFRSs 2011-2013 Cycle.

Other information:

- The Company's businesses are affected by the local and global trade environment. Factors that could cause actual results of the Company to differ materially include, but are not limited to:
    - material adverse change in the Philippine and global economic and industry conditions;
    - natural events (earthquake, typhoons and other major calamities); and
    - material changes in exchange rates.
- There was no known trend, event or uncertainty that had or may have a material impact on liquidity and on revenues or income from continuing operations. There was no known event that may cause a material change in the relationships between costs and revenues.
- There was no seasonal factor that had a material effect on the financial condition and results of operations.
- There was no event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- Except for the commitments and contingencies mentioned in Note 22 of the consolidated financial statements, the Company has no knowledge of any material off-balance sheet (statement of financial position) transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during

the reporting period that would address the past and would have material impact on future operations.

Key Performance Indicators (KPIs)

KPIs discussed below were based on consolidated amounts as portions pertaining to the Company's subsidiary, ATI Batangas, Inc. (ATIB) were not material. As of end 2014:

- ATIB's total assets were only 4.2% of the consolidated total assets
- Income before other income and expense from ATIB was only 9.0% of consolidated income before other income and expense. [5]

Consolidated KPI	Manner of Calculation	2014	2013	Discussion
Return on Capital Employed	Percentage of income before interest and tax over capital employed	17.4%	15.3%	Increase resulted from higher income before other income (expense) during the period.
Return on Equity attributable to equity holders of the parent	Percentage of net income over equity attributable to equity holders of the parent	20.1%	13.9%	Increase due to higher net income.
Current ratio	Ratio of current assets over current liabilities	2.09 : 1.00	1.77 : 1.00	Increase due to higher current asset.
Asset to equity ratio	Ratio of total assets over equity attributable to equity holders of the parent	1.99 : 1.00	2.09 : 1.00	Decrease due to higher equity.
Debt to equity ratio	Ratio of total liabilities over equity attributable to equity holders of the parent	0.99 : 1.00	1.09 : 1.00	Decrease due to higher equity.
Days Sales in Receivables (DSR)	Gross trade receivables over revenues multiplied by number of days	12 days	15 days	Due to improved collection efforts.
*Reportable Injury Frequency Rate (RIFR)[6]	Number of reportable injuries within a given accounting period relative to the total number of hours worked in the same accounting period.	1.95	2.24	Improved as a result of extensive safety campaign and strict implementation of HSES policies.

[5] Income before other income and expense is defined as income before net financing costs, net gains on derivative instruments and others.

[6] RIFR is the new KPI for injuries introduced in 2014 to replace LTIFR. RIFR is a more stringent KPI as it covers not only Lost Time Injuries (LTIs) but also Medically Treated Injuries (MTIs) and Fatality incidents.

Summary of Selected Financial Data (in millions)

Description	*Year ended December 31, 2014*	*Year ended December 31, 2013*
Revenues	*P 8,241.1*	*P 6,573.5*
Net income	*1,901.3*	*1,205.5*
Total assets	*19,870.7*	*18,649.3*
Total liabilities	*9,873.3*	*9,734.0*

Information on Independent Accountant and External Audit Fees

The appointment of R.G. Manabat & Co. as the external auditors of Asian Terminals, Inc. for 2016 was approved by the shareholders during the annual meeting held on April 28, 2016. The same external auditors are being recommended for re-election at the scheduled annual meeting of the Stockholders.

In compliance with Securities Regulation Code Rule 68, Mr. Enrico E. Baluyut has been the Partner-in Charge for not more than five years.

The aggregate fees for audit services rendered were as follows:

	2016 (P'000)	2015 (P'000)
Audit Fees	2,950.0	2,873.0

Audit Fees are for professional services rendered in connection with the audit of our annual financial statements and services provided by the external auditors in connection with statutory and regulatory filings or engagements.

There was no engagement for tax or other services with R.G. Manabat & Co. in 2016 and 2015.

Audit Committee Pre-Approval Policy

The Audit Committee pre-approves and recommends to the Board of Directors all audit and non-audit services to be rendered by the external auditors as well as the engagement fees and other compensation to be paid. When deciding whether to approve these items, the Audit Committee takes into account whether the provision of any non-audit service is compatible with the independence standards under the guidelines of the SEC. To assist in this undertaking, the Audit Committee actively engages in a dialogue with the external auditors with respect to any disclosed relationships or services that may impact their objectivity and independence and, if appropriate, recommends that the Board take appropriate action to ensure their independence.

Financial Statements

The audited consolidated financial statements are herein attached as Exhibit 1.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

There was no change in or disagreement with external auditors on accounting and financial disclosures.

PART III-CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Name	Age	Position
Rashed Ali Hassan Abdulla	45	Chairman
Eusebio H. Tanco	67	Director/President
Paul Darren Scurrah	49	Director
Kwok Leung Law	53	Director
Teodoro L. Locsin, Jr.	68	Director
Monico V. Jacob	71	Director
Felino A. Palafox, Jr.	66	Director
Artemio V. Panganiban	80	Director
Andrew R. Hoad	50	Executive Vice President
Jose Tristan P. Carpio	48	Vice President for Finance and Chief Financial Officer
Rodolfo G. Corvite, Jr.	57	Corporate Secretary and Vice President for Business Support Services
Sean L. Perez	51	Vice President for Marketing and Commercial
Christopher Joe Styles	47	Vice President for Engineering
Bastiaan W. Hokke	54	Vice President for Group Operations

A brief background on the Company's Board of Directors and Executive Officers is as follows (brief description of their respective business experience for the past five (5) years included):

Rashed Ali Hassan Abdulla, 45**,** UAE national, is the Chairman of the Board of Directors of Asian Terminals, Inc. and the Senior Vice-President and Managing Director of DP World Asia Pacific since November 2013. His main responsibility is managing several business units in China, Korea, HK and SE Asia. Mr. Abdulla previously held the position of Senior Vice President Global Operations DP World Head Office (from 2011 to 2013). He joined DP World as a graduate trainee in 1995 and has risen rapidly through the ranks. He was executed an international assignment in Romania-Constanta from 2004 to 2007, as Manager - Container Terminal. Upon his return to Dubai in 2007, he was promoted to Director of Jebel Ali's brand new Terminal 2. From 2009 to 2011 he was appointed as Chief Operating Officer of all Jebel Ali operations and Business Units, including Containers Terminals, General Cargo, Marine, Safety and Security. Mr. Abdulla graduated from UAE University in 1995 with a Bachelor's degree in Geography. He earned a Diploma in Maritime and Port Management from National University of Singapore in 2002 and Managing Terminal Operations in P & O Institute, Cardiff, UK (2006). He joined the Board in January 15, 2013.

Eusebio H. Tanco, 67, Filipino, is the President of the Company from 1995 to 2001 and 2007 to present. He is the Chairman of STI Education Systems Holdings, Inc. (formerly JTH Davies Holdings, Inc., since 2010), STI West Negros University (since 2013) , Mactan Electric Company (since 1988), DLS-STI College (since 2003), , Mar-Bay Homes Inc. (since 1980), Capital Managers and Advisors, Inc. (since 1995), Maestro Holdings, Inc. (formerly STI Investments, since 2007), Cement Center, Inc. (since 1983),First Optima Realty Corporation (since 1980), GROW Vite (since 2014), Venture Securities, Inc.(since 1980), and the executive committee chairman of STI Education Services Group, Inc. (since 2003). He is also the president of Philippines First Insurance Co. (since 1973), Prime Power Holdings (since 1999), Global Resource for Outsourced Workers, Inc. (GROW, Inc.) (since 2002), Bloom with Looms Logistics, Inc. (formerly STMI Logistics, Inc., since 1988), Total Consolidated Asset Management Inc. (TCAMI) (since 2006), Eujo Philippines, Inc. (since 1986), Classic Finance, Inc. (since 2004), Insurance Builders Inc. (since 1979), Biolim Holdings and Management Corp. (formerly Rescom Developers, Inc ,since 1983),. In addition, he is a Director of iACADEMY (since 2002), Philhealthcare Inc. (since 2009), Philippine Life Financial Assurance (formerly Asian Life Financial Assurance, since 2012), United Coconut Chemicals, Inc. (since 1995), M.B. Paseo (since 1980), Philippine Racing Club (since 2011), Leisure & Resorts World Corporation (since 2011) and Philippine Stock Exchange (since 2007). His professional associations include the Philippines-Thailand Business Council, Philippines-UAE Business Council, and the Philippine Chamber of Commerce and Industry. He obtained his Master of Science in Economics from the London School of Economics and Political Science. He has been a member of the ATI Board since 1993.

Monico Jacob, 71, Filipino, is presently the President of STI Education Systems Holdings, Inc. (2011), STI West Negros University (since 2014) and the CEO and Vice-Chairman of the STI Education Services Group (since 2016). He is the Chairman of Philippine Life Financial Assurance, Inc. (PhilLife, since 2016), Global Resource for Outsourced Workers, Inc. (GROW, Inc., since 2000), Total Consolidated Asset Management Inc. (since 2006), and GROW-Vite (since 2014). He is currently a director of iACADEMY, (since 2010) and PhilCare, (since 2012). He is also an independent director of Jollibee Foods, Inc. (since 2001), 2Go Group (since 2011), Phoenix Petroleum Philippines (since 2008) Rockwell Land Inc. (since 2015), Lopez Holdings, Inc. (since 2014) and Century Properties Group, Inc. (since 2010). Prior to his current engagements, he was the General Manager of the National Housing Authority (NHA) (from 1989 to 1991); Chairman and CEO of Petron Corporation from 1991 to 1998 and Philippine National Oil Company (PNOC) and all of its subsidiaries from 1991 to 1994; and CEO of the Home Development Mutual Fund (PAG-IBIG Fund) from 1988 to 1989. Mr. Jacob also served as an Associate Commissioner for the Securities and Exchange Commission in 1986. He is a member of the Integrated Bar of the Philippines and the Management Association of the Philippines (MAP) and served as its President in 1998. Mr. Jacob finished his Bachelor of Arts degree with a Major in Liberal Arts from the Ateneo de Naga University in 1966 and his Bachelor of Laws degree from the Ateneo de Manila University in 1971. He joined the Board in 2009.

Felino A. Palafox, Jr., 66, Filipino**,** has more than 45 years of experience in the field of architecture and planning. He is the Principal Architect-Urban Planner and Founder of Palafox Associates which was founded in 1989. For more than 25 years, he led and managed his firm in carrying out the planning of more than 16 billion square meters of land area and the architecture of more than 12 million square meters of building floor area in 38 countries. Palafox Associates ranks 89th in the London–based/ BD World architecture magazine's list of world's top architectural firms and also cited Top 8 in the world for Leisure projects. He is the President of FIABCI (International Real Estate Federation) Philippines for 2015. He is also an international associate of the American Institute of Architects, country leader of the Council on Tall Buildings and Urban Habitat, member of the U.S. Green Building, Urban Land Institute, Congress for the New Urbanism, American Planning Association, and the International Council of Shopping Centers, all U.S.-based. He was the past President of the Philippine Institute of Environmental Planners and the Management Association of the Philippines. He finished his Bachelor of Science in Architecture in 1972 from the University of Santo Tomas, Manila, and his Master in Environmental Planning from the University of the Philippines as a scholar of the United Nations Development Program (UNDP), in 1974. He took up Advanced Management Development Program for Real Estate in 2003, and 6 other continuing education courses, from the Harvard University. Architect Palafox is a registered APEC Architect and a recipient of several local and international awards. He joined the Board in 2009.

Kwok Leung Law, 53, Chinese, is the Director, Finance and Business Development, DP World Asia Pacific since 2013. He was the Finance Director of DP World Southeast Asia from 2010 to 2013, Finance Director for Saigon Premier Container Terminal (DP World) in HCMC, Vietnam from 2008 to 2010. In 2003, he became the Chief Operating Officer/General Manager Finance of ATL Logistics Centre Hong Kong Limited and the Financial Controller of Sea-Land in Hong Kong in 1996. He is a Fellow Member of Chartered Association of Certified Accountants and an Associate Member of Hong

Kong Institute of Certified Public Accountants. Mr. Law is a holder of Bachelor Degree in Business Administration from National Chung Hsing University in Taiwan and holds a Master's Degree in Business Administration from the Chinese University of Hong Kong. He joined the Board on February 18, 2010.

Artemio V. Panganiban, 80, Filipino. He served as Chief Justice of the Supreme Court from 2005 to 2006 and as Associate Justice from 1995 to 2005. Prior to his appointment to the Supreme Court, he was a senior partner at Panganiban Benitez Parlade Africa and Barinaga Law Offices from 1963 to 1995. He is a recipient of over 250 prestigious awards and recognitions from various associations and groups for his role as a jurist, lawyer, civic leader, Catholic lay worker, and entrepreneur and youth leader. Among such awards is the "Renaissance Jurist of the 21st Century" given by the Supreme Court of the Philippines upon his retirement in 2006. Chief Justice Panganiban holds a Bachelor's Degree in Law from the Far Eastern University where he graduated *cum laude*. He was a 6th placer in the 1960 Bar Examinations. He was also conferred Doctor of Laws (*Honoris Causa)* by several universities. At present, he writes a column for the Philippine Daily Inquirer. He sits as an independent director in the following listed companies aside from Asian Terminals, Inc.; GMA Network, Inc. (2007-present), First Philippine Holdings Corp. (2007-present), Metro Pacific Investments Corp. (2007-present), Manila Electric Company (2008-present), Robinsons Land Corp. (2008-present), GMA Holdings, Inc. (2009-present), Petron Corporation (2010-present), Philippine Long Distance Telephone Company (2013-present). He is also a non-executive Director at Jollibee Foods Corporation (2012-present), Senior Adviser, Metrobank (2007 to present), and Adviser, DoubleDragon Properties Corp. (2014 to present). He is a member of the Company's Compensation Committee and Nomination Committee. He is an independent director of Asian Terminals, Inc. since April 22, 2010.

Paul Darren Scurrah, 49, Australian, is the current DP World Australia PTY Ltd. Managing Director and CEO (since 2013). He is also the Executive Chairman of the DP World Melbourne PTY Ltd, DP World Sydney, DP World Brisbane and DP World Fremantle. He was the former EVP for Commercial and Marketing of the rail freight company Aurizon (from 2011 to 2013) and the CEO of Queensland Rail Ltd (from 2009 to 2011). Mr. Scurrah is a graduate of the Australian Institute of Company Directors. In addition, he holds an Associate Diploma in Business from William Angliss College, Melbourne and attended a Finance for Senior Executive Program from Harvard Business School. He joined the Board on April 28, 2016.

Teodoro Locsin, Jr., 68, Filipino**.** He served as member of the House of Representatives from 2001 to 2010. Since 2005, he is an independent director of The Medical City, and a member of the Board of Governors of iAcademy and a director of STI Holdings, Inc. (since 2015). He is an editor, publisher, television host and speechwriter of former presidents Corazon Aquino, Joseph Ejercito Estrada and Gloria Arroyo. He also served as a Minister of Information during President Aquino's term. Atty. Locsin, Jr., worked as an associate at Angara Abello Concepcion Regala and Cruz Law Offices. He also worked as an executive assistant to the Chairman of Ayala Corporation, Enrique Zobel. He obtained his Bachelor of Law from the Ateneo de Manila University and Master of Laws from Harvard University. In 2017, he was appointed and took his oath as Philippine Representative to the United Nations based in New York. Atty. Locsin, Jr. is the Chairman of the Audit Committee and is a member of the Executive Committee. He serves as an independent director of Asian Terminals, Inc. since April 22, 2010.

Andrew R. Hoad, 50, British, is the Executive Vice President. He has held various positions with the P & O Group, CSX World Terminals and DP World, since 1988. He became the General Manager for DPWorld Sales Asia based in Hong Kong from 2004 to 2005. Thereafter, he was assigned to Dubai and the Far East as Commercial Director for Asia and Indian Subcontinent from 2005 to 2008. Prior to joining ATI, he was the CEO of DPWorld Caucedo Container Terminal in the Dominican Republic from 2008 to 2011 and CEO of DP World Callao Container terminal in Peru in 2011. Mr. Hoad holds both Bachelor and Masters degrees in History and Economic History from Pembroke College, Cambridge University. He joined ATI in 2012.

Jose Tristan P. Carpio, 48, Filipino, is the Vice-President for Finance and Chief Financial Officer (CFO) of the Company since July 2012. He joined ATI in 2000 as Assistant Vice President for Treasury and Special Projects. Prior to joining ATI, he was the Assistant Vice President for Capital Markets of All Asia Capital & Trust Corporation from 1997 to 2000. Mr. Carpio obtained his degree in B.S. Management Engineering from Ateneo de Manila University.

Rodolfo G. Corvite, Jr., 57**,** Filipino, is the Corporate Secretary since 1997 and the Vice President for Business Support Services. He has held various positions in the Company handling Administration, Legal, Human Resources, Procurement, Industrial Relations, HSES, Insurance and Claims, Risk Management and Corporate Communications. He was a Law Partner of Diaz, Corvite and Associates. He is a member of the Integrated Bar of the Philippines. He obtained his Bachelor of Laws from the Ateneo de Manila University. He has been with the Company since 1989.

Sean James L. Perez, 51, Filipino, is the Vice-President for Marketing and Commercial. He was the Vice-President for Marketing, Commercial and MGT from October 2008 to January 2010, Vice President for Domestic and Outports from January 2007 to September 2008, Vice-President for Domestic/Marketing and Commercial Services (2004-2006). He has held various positions in the Company from the position of being the Terminal Manager of Batangas, Container Division and General Stevedoring Division for South Harbor to Vice-President for Operations, Marketing and Outports. He obtained his degree in Bachelor of Arts, Major in Economics from the University of Santo Tomas. He has been with the Company since 1996**.**

Bastiaan W. Hokke, 54, Dutch, is ATI's Vice President for Group Operations. When he joined ATI in April 2011, he was the Vice President for ATI Batangas, Batangas Container Terminal and Inland Clearance Depot until September 2012. Prior to joining ATI, he worked at Port of Tanjung Pelepas in Malaysia as General Manager for Operations from 2001 to 2007. In 2007, he worked as Chief Operating Officer at Salalah Port services in Oman. From 2009 to 2011, he was appointed as Chief Shared Services Officer in the said port. Mr. Hokke attended Erasmus University Rotterdam, Faculty of Law and later in his career, London Business School.

Christopher Joe Styles, 47, British, joined ATI in December 2013 as Vice President for Engineering. Prior to joining ATI, he worked at APM Terminals from September 2008 to November 2013 holding various positions in its terminals in Bahrain and Jordan. His last position was General Manager for Technical Services in Bahrain. Mr. Styles graduated in 2009 from University of Leicester with a Masters degree in Business Administration and in 1990 at the Lackham College with a Bachelor's Degree in Mechanical Engineering. He also holds a green belt in Lean Six Sigma.

All the directors serve for a term equivalent to one (1) year from election or for the unexpired portion of the term of his predecessor.

Family Relationships

There are no family relationships among the directors and officers listed up to the fourth civil degree of consanguinity or affinity.

All employees are expected to make reasonable contribution to the success of the business of the Company.

The Company has no knowledge of events occurring during the past five years that are material to an evaluation of the ability and integrity of the above-named directors and officers.

Pending Legal Proceedings

The Company has no knowledge that the current members of its Board of Directors, or its executive officers have been involved during the last five years up to the present in any legal case affecting/involving themselves and/or their properties before any court of law or administrative body in the Philippines or elsewhere, which are material to an evaluation of the ability or integrity of any of the said directors or executive officers. Also, during the last five years, the said persons have not been: a) involved in any bankruptcy petition, b) convicted by final judgment of any offense punishable by the laws of the Philippines or of the laws of any other country, c) subjected to any order, judgment or decree, and d) violated any securities or commodities law.

Item 10. Executive Compensation

1) The total annual compensation of the Company's President and the most highly compensated officers amounted to P75 million in 2016 and P69 million in 2015. The projected annual compensation in 2017 is P77 million.

   The total annual compensation of all other officers and directors in 2016 amounted to P119 million and in 2015 amounted to P114 million. The projected annual compensation in 2017 is P124 million.

		(in millions of pesos)			
Name and Principal Position	**Year**	**Salary**	**Bonus**	**Other Annual Compensation**	**Total**
Eusebio H. Tanco President/CEO					
Andrew R. Hoad Executive Vice President					
Bastiaan W. Hokke Vice President for Group Operations					
Rodolfo G. Corvite, Jr. Vice President for Business Support Services					
Christopher Joe Styles Vice President for Engineering					
CEO and most highly compensated officers	2017 (Projected)	63	14	0	77
All other officers* and directors as a group unnamed	2017 (Projected)	101	23	0	124

**Managers and above*

Name and Principal Position	Year	(in millions of pesos)			
		Salary	Bonus	Other Annual Compensation	Total
Eusebio H. Tanco President					
Andrew R. Hoad Executive Vice President					
Rodolfo G. Corvite, Jr. Vice President for Business Support Services					
Christopher Joe Styles Vice President for Engineering					
Bastiaan W. Hokke Vice President for Group Operations					
CEO and most highly compensated officers	2016 (Actual)	59	16	0	75
All other officers* and directors as a group unnamed	2016 (Actual)	91	28	0	119

Managers and above

Name and Principal Position	Year	(in millions of pesos)			
		Salary	Bonus	Other Annual Compensation	Total
Eusebio H. Tanco President					
Andrew R. Hoad Executive Vice President					
Rodolfo G. Corvite, Jr. Vice President for Business Support Services					
Christopher Joe Styles Vice President for Engineering					
Bastiaan W. Hokke Vice President for Group Operations					
CEO and most highly compensated officers	2015 (Actual)	57	12	0	69
All other officers* and directors as a group unnamed	2015 (Actual)	96	18	0	114

Managers and above

2) The Directors do not receive compensation for services provided as a director other than reasonable per diems[7] for attendance at meetings of the Board and the Board Committees. This is in accordance with Article IV, Section 14 of the Company's By-Laws which states that "Except for reasonable per diems, directors, as such shall be entitled to receive only such compensation as may be granted to them by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock at a regular or a special meeting of the stockholders. In no case the total yearly compensation of the directors, as such, exceed ten percent (10%) of the net income before income tax of the Corporation during the preceding year.

   The Board of Directors specified the duties and responsibilities of the elected Company officers. Other officers, whose duties and responsibilities are set by the Management, are considered regular employees of the Company.

[7] Directors' per diem amounted to Php2,570,000.00 (for 2016) Php3,310,000.00 (for 2015). The Chairman receives Php60,000.00 per diem, for every board meeting attended, while members of the Board receive Php50,000.00.

3) There is no bonus, profit sharing, stock options, warrants, rights or other compensation plans or arrangements with directors and officers that will result from their resignation, retirement, termination of employment, or change in the control of the Company.

Item 11. Security Ownership of Certain Beneficial Owners and Management

1. Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2016, the Company knows of no one who owns in excess of 5% of its common stock except as set forth in the table below:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Amount of Record Ownership	% of Class
Common	DP World Australia (POAL) Pty. Limited Level 21 400 George St., Sydney NSW 2000, GPO Box 4084, Sydney NSW 2001 Australia (Stockholder)	DP World Australia (POAL) Pty. Limited	Australian	346,466,600	17.32%
Common	ATI Holdings, Inc. 3rd Floor SSHG Law Centre, 105 Paseo de Roxas Makati City (Stockholder)	ATI Holdings, Inc.	Australian	291,371,231	14.57%
Common	PCD Nominee Corp. (Filipino.) G/F MKSE Bldg. 6767 Ayala Ave., Makati City	(Beneficial Owners unknown to Issuer) *(**AsiaSec Equities, Inc.** 8/F Chatham House 116 Valero cor. V. A. Rufino Sts. Salcedo Village, Makati City)*	Filipino	233,501,444 *(117,001,033)*	11.67% *(5.85%)*
Common	Pecard Group Holdings, Inc. 3rd Floor SSHG Law Centre, 105 Paseo de Roxas Makati City (Stockholder)	Pecard Group Holdings, Inc.	Filipino	198,203,968	9.91%
Common	Philippine Seaport, Inc. 3rd Floor SSHG Law Centre, 105 Paseo de Roxas Makati City (Stockholder)	Philippine Seaport, Inc.	Filipino	196,911,524	9.85%

Common	Daven Holdings 7th Floor, Philfirst Building, 6764 Ayala Avenue, Makati City (Stockholder)	Daven Holdings	Filipino	155,906,071	7.80%
Common	PCD Nominee Corp. (Non-Fil.) G/F MKSE Bldg. 6767 Ayala Ave., Makati City	(Beneficial Owners unknown to Issuer) ***(The Hongkong and Shanghai Banking Corp., Ltd.*** *HSBC Securities Services, 12th Flr, The Enterprise Center, Tower I 6766 Ayala Ave. cor. Paseo de Roxas, Makati City)*	Non-Filipino	139,868,078 *(126,449,800)*	6.99% *(6.32%)*
Common	SG Holdings Inc. 7th Floor, Philfirst Building, 6764 Ayala Avenue, Makati City (Stockholder)	SG Holdings, Inc	Filipino	130,000,000	6.50%
Common	Morray Holdings, Inc. 7th Floor, Philfirst Building, 6764 Ayala Avenue, Makati City (Stockholder)	Morray Holdings, Inc.	Filipino	100,000,000	5.00%

2. Security Ownership of Management

Owners of record of ATI shares among Management as of December 31, 2016, are as follows:

Title of Class	Name of Beneficial/Record Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Class
Common	Felino A. Palafox, Jr.	15,300/direct	Filipino	.00%
-d0-	Monico V. Jacob	1/direct	Filipino	.00%
-do-	Kwok Leung Law	1/direct	Chinese	.00%
-do-	Rashed Ali Hassan Abdulla	1/direct	UAE	.00%
-do-	Eusebio H. Tanco	15,257,663/ direct 26,627,884/indirect	Filipino	2.09%
-do-	Paul Darren Scurrah	1/direct	Australian	.00%
-do-	Artemio V. Panganiban (independent director)	1/direct	Filipino	.00%
-do-	Teodoro L. Locsin, Jr. (independent director)	1/direct	Filipino	.00%
--do-	Rodolfo G. Corvite, Jr.	222,398/direct	Filipino	.01%
	TOTAL	42,123,251		2.11%

There was no change in control of the registrant during the year. There is no voting trust or similar agreement with respect to any portion of the outstanding shares, nor any agreement which may result in a change of control of the Company.

The Board of Directors generally has the power to vote on behalf of their respective corporate stockholders. A proxy is usually designated to cast the vote for the stockholder.

Item 12. Certain Relationships and Related Transactions

The Company, through the Board, renewed the management agreement with P & O Management Services, Phils. Inc. (POMS) for a period of five years from September 1, 2015 until August 31, 2020. Forty percent (40%) of the outstanding capital stock of POMS is owned by DPWorld Australia (POAL) Pty. Ltd. As of February 28, 2017, DPWorld Australia (POAL) Pty. Ltd. owns 17.32% of the total outstanding capital stock of ATI. In addition, ATI Holdings, Inc. (majority-owned by DPWorld Australia (POAL) Pty. Ltd.) owns 14.57% (as of February 28, 2017) of the outstanding capital stock of ATI. (Please refer to Note 1 of the Audited Consolidated Financial Statements).

The Company avails of leases Mar-Bay Homes, Inc. where Mr. Eusebio H. Tanco is Chairman, and Eujo Philippines, Inc. where Mr. E.H. Tanco is the President. Insurance services were also availed from Philippines First Insurance Co. (PhilPlans) where Atty. Monico Jacob is the Chairman. Also health care services with PhilCare where Mr. Eusebio H. Tanco and Atty. Monico Jacob are Directors.

Since February 2010, ATI has engaged Grow Vite Staffing Services, Inc. or Grow Vite (then named Global Resource for Outsourced Workers, Inc. or GROW), to provide manpower services for the Company. In November 2012, ATI Batangas has also engaged Grow Vite (then GROW) for manpower services. Atty. Monico V. Jacob is the Chairman of Grow Vite and Mr. Eusebio Tanco is its President.

Transactions with related parties are on an arm's length basis.

Item 13. Corporate Governance

The Company has substantially complied with the provisions of its Manual on Corporate Governance which was adopted in August 30, 2002 and amended in 2011 and 2014. On August 19, 2016, the Board in its regular meeting amended the Manual on Corporate Governance to conform to the reduction in the number of directors from ten (10) to eight (8), as stated in its amended Articles of Incorporation and By-Laws.

The Company commits to the principles and best practices of good corporate governance to attain its goals and objectives. Its principal officers and directors have attended Corporate Governance seminars and orientations in compliance with the provisions of its Manual of Corporate Governance and provisions of the SEC Memorandum Circular No. 20 series of 2013. The seminars were given by accredited providers such as the Center for Global Best Practices (CGBP), Opportunities, Assessment and Management (ROAM) and SGV.

The Company has not deviated from its Manual since the time of the self-rating process previously conducted and reported to the Securities and Exchange Commission on July 31, 2003. Formulation of the evaluation system to determine level of compliance of the Board and top level management is in progress.

Continuous monitoring and compliance with the Corporate Governance Manual and other corporate standards are ensured through the Board and the board committees, Compliance Officer, President, Chief Financial Officer and the Internal and External Auditors.

Item 14. Exhibits and Reports on SEC Form 17-C

(A) Exhibits

Exhibit 1*	Quarterly Report (SEC Form 17-Q) As of September 30, 2016
Exhibit 2	Financial Statements and Schedules

*Please refer to the September 30, 2016 Quarterly Report (SEC Form 17-Q) submitted to the Securities and Exchange Commission

(B) Reports on SEC Form 17-C

Date Reported	**Item(s) Reported**
February 16, 2016	Notice of Guidelines for Nominations for Election to the Board of Directors
February 26, 2016	Setting the date, venue, agenda and record date of the 2016 Annual Stockholders' Meeting, closing of stock and transfer book, Board approval of the 2015 Audited Financial Statements and Appointment of R. G. Manabat and Co. as external auditors for 2016, Amendment of the Sixth Article of the Articles of Incorporation and Sec 2 Article IV of the By-Laws reducing the number of directors from 10 to 8.
May 2, 2016	Declaration of cash dividends, record and payment dates, results of the 2016 Annual Stockholders' meeting and Organizational meeting.
May 11, 2016	Certification on Qualification of Independent Directors;
July 15, 2016	Retirement of Mr. Suhail Al Banna and Mr. Arsenio N. Tanco
August 8, 2016	Audit Committee Self-Assessment for 2015

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this amended report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Manila on the 11th day of April 2017.

By:

ANDREW R. HOAD
Executive Vice President

JOSE TRISTAN P. CARPIO
Vice President and Chief Financial Officer/ Corporate Treasurer

RODOLFO G. CORVITE, JR.
Vice President for Business Support Services /Corporate Secretary

MARICAR B. PLENO
Assistant Vice President for Accounting and Financial Planning

SUBSCRIBED AND SWORN to before me this APR 11 2017 day of April 2017 affiants exhibiting to me their respective Driver's License or Passport Nos.:

Name	Passport No./Driver's Lic. No.	Date & Place of Issue
1. Andrew R. Hoad	507651723	November 15,2012/UK
2. Jose Tristan P. Carpio	EC2215520	September 26, 2014/Manila
3. Rodolfo G. Corvite, Jr.	P0014227A	August 22, 2016/Manila
4. Maricar B. Pleno	N0388062925	April 30, 2015/ Manila

ATTY. AGUSTIN B. CABREDO
Notary Public for Manila
Notarial Notary Public 2016-108
Until December 31, 2017
Rm. 409, First United Bldg. Co.,
Escolta, Manila
Roll No. 26047
PTR No. 59428844 / 1-3-17 / Manila
IBP Lifetime Member
MCLE No. V 0003138

Doc. No. 472
Page No. 17
Book No. II
Series of 2017.

ASIAN
TERMINALS
INCORPORATED
ISO 28000, ISO 14001 & OHSAS 18001 certified
Delivering reliable and consistent services

Asian Terminals Inc. Head Office
A. Bonifacio Drive, Port Area, Manila
1018 Philippines
P.O. Box 3021, Manila, Philippines
Tel. No. (+632) 528-6000
Fax (+632) 527-2467

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of ASIAN TERMINALS, INC. AND A SUBSIDIARY (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

RASHED ALI HASSAN ABDULLA
Chairman of the Board

EUSEBIO H. TANCO
President

JOSE TRISTAN P. CARPIO
Chief Financial Officer

Signed this ____ of 20 FEB, 2017

SUBSCRIBED AND SWORN TO before me this 20 day of FEB 2017, the signatories exhibiting to me their respective Passports/Driver's License Nos., as follows:

Name	Passport Nos.	Date/Place Issued
1. Rashed Ali Hassan Abdulla	LY6118219	2/15/15; Dubai
2. Eusebio H. Tanco	EC2037045	9/4/14; Manila
3. Jose Tristan P. Carpio	EC2215520	9/26/14; Manila

Notary Public

Doc. No. 373
Page No. 76
Book No. X;
Series of 2017.

ATTY. JOSELYN BONNIE V. VALEROS
NOTARY PUBLIC, ROLL NO. 54515
PTR No. 5921026 Issued on Dec 27, 2016 Until Dec 31, 2017
IBP Life No. 723963 Issued on Aug. 21, 2007
Commission No. 2016-099 issued on April 06, 2016, Until Dec. 31, 2017
MCLE No. V-0022298 issued on June 14, 2016 Valid until April 14, 2019
Office Add. Imperial Bayfront Tower, 1642 A. Mabini, Manila

COVER SHEET
For
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 3 3 6 5 3

COMPANY NAME

A S I A N   T E R M I N A L S ,   I N C .
A N D   A   S U B S I D I A R Y

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

A .   B o n i f a c i o   D r i v e ,   P o r t   A r e a
M a n i l a

Form Type	Department requiring the report	Secondary License Type, If Applicable

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
845	4th Thursday of April	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jose Tristan D. Carpio	Josec@asianterminals.com.ph	528-6000	

CONTACT PERSON's ADDRESS

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

ASIAN TERMINALS, INC. AND A SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

ASIAN TERMINALS INCORPORATED
ISO 28000, ISO 14001 & OHSAS 18001 certified
Delivering reliable and consistent services

Asian Terminals Inc. Head Office
A. Bonifacio Drive, Port Area, Manila
1018 Philippines
P.O. Box 3021, Manila, Philippines
Tel. No. (+632) 528-6000
Fax (+632) 527-2467

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of ASIAN TERMINALS, INC. AND A SUBSIDIARY (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

RASHED ALI HASSAN ABDULLA
Chairman of the Board

EUSEBIO H. TANCO
President

JOSE TRISTAN P. CARPIO
Chief Financial Officer

Signed this _____ of 20 FEB 2017

SUBSCRIBED AND SWORN TO before me this 20 day of FEB 2017, the signatories exhibiting to me their respective Passports/Driver's License Nos., as follows:

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Notary Public

Doc. No. 373;
Page No. 75;
Book No. X;
Series of 2017.

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NOTARY PUBLIC, ROLL NO. 54515
PTR No. 5921018 Issued on Dec 27 2016 Until Dec. 31, 2017
IBP Life No. 723963 Issued on Aug. 21, 2007
Commission No. 2016-099 Issued on April 05, 2016, Until Dec. 31, 2017
MCLE No. V-0022298 Issued on June 14, 2016 Valid until April 14, 2019
Office Add. Imperial Baytront Tower, 1642 A. Mabini, Manila

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
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Philippines 1226
Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Asian Terminals, Inc.
B. Bonifacio Drive
Port Area, Manila

Opinion

We have audited the consolidated financial statements of Asian Terminals, Inc. and a Subsidiary (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition (P9,249,162 - amount in thousands)
Refer to Note 2 to the consolidated financial statements.

The risk
The Group's revenues are mainly generated from arrastre, stevedoring and storage services. These revenues are recognized when the services are rendered and are recorded in the books using an information technology system which tracks the movements of cargoes from ships and port yards. Market expectations and profit-based targets may put pressure on management to recognize revenues before all the revenue recognition criteria have been met. Risk of material misstatement may arise in order to improve business results and achieve capital and revenue growths in line with the objectives of the Group. Further, due to the materiality of revenues in the consolidated financial statements as a whole, it is ascertained as one of our key focus audit areas.

Our response
Our audit procedures included assessment of the Group's accounting policies in respect of revenue recognition to ensure that they appropriately reflected the requirements of PFRSs. Evaluation of relevant IT systems and the design and operating effectiveness of controls over the recording of revenue transactions was also conducted. In doing so, we have involved our IT specialists to assist in the audit of automated controls across different IT applications. Our substantive procedures included testing of revenues earned close to year-end, testing of subsequent invoices relating to the accrued revenues recorded and testing of credit and debit memos issued close to year-end to confirm that all services had been performed at the point at which revenue is recognized. Furthermore, we performed examination of selected individual transactions' supporting documentation to test the existence and accuracy of revenue transactions and to verify whether the revenue recognition practices adopted complied with the stated accounting policies. A detailed movement analysis of revenues earned for each of the Group's revenue streams was also performed to determine any significant fluctuation on the account. We also evaluated the adequacy of the disclosures in respect of revenue recognition in the consolidated financial statements.

Port Concession Rights - net (P14,674,438 - amount in thousands)
Refer to Note 11 to the consolidated financial statements

The risk
The Group's port concession rights as at December 31, 2016 amounted to P14.67 billion which comprise 63% of the Group's total assets. Port concession rights pertain to the amount of cost of port infrastructures, upfront fees payments and fixed government share. As part of its ordinary activities, the Group invests in port infrastructures of significant values. During the year, the Group has made significant additional investments relating to port concession rights amounting to P832.9 million. These additional capital expenditures expose the Group to the risk that a material amount of the resulting additional port concession rights are not appropriately recognized in accordance with the relevant accounting standards. Further, the assignment of useful lives may not be suitable based on the nature and extent of the assets' usage. Due to the materiality of the transactions and the account to the Group's consolidated financial statements as well as its significance on the overall audit strategy, the "port concession rights" account is considered to be a key audit matter.

Our response
Our audit procedures included examination of supporting documents of the selected additions to port infrastructures to ascertain the existence and accuracy of the amounts recorded during the year. We also evaluated management's assessment as to whether those capitalized assets met the recognition criteria set forth in the standards. We participated in the Group's asset count to validate the existence of assets from which the related port concession rights originate. Furthermore, we verified the appropriateness of the useful life assigned to each type of assets to assist us in recalculating the amount of amortization expense. We also evaluated the adequacy of the disclosures in respect of port concession rights in the consolidated financial statements.

Hedging of Highly Probable Forecast Transactions using a Non-derivative Instrument (Hedging reserve - P415,403 - amount in thousands)
Refer to Note 16 to the consolidated financial statements.

The risk
Hedge accounting is applied by the Group as part of its foreign currency risk strategy. Under the cash flow hedge model, it hedges the spot exchange risk on the highly probable forecast United States (US) dollar revenue transactions using its non-derivative financial instrument, port concession rights payable which is denominated in US dollar as a hedging instrument. Such financial liability creates an exposure to the functional currency which offsets the foreign currency exposure on the highly probable US dollar revenue stream. Due to the degree of judgement and estimation on the highly probable forecast US dollar revenue transaction there is a risk that the assumptions made on the prospective effectiveness of the hedge transactions are inappropriate, which would lead to the presentation of the relevant amounts in other comprehensive income being incorrect.

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Our response
Our audit procedures included the assessment of the adequacy of hedge documentation and an assessment of the internally performed hedge effectiveness testing. In doing so, we have involved our financial instrument specialist to assist in the assessment of the hedge effectiveness and the accuracy of the amounts recorded. Our substantive procedures included assessment of the historical accuracy of forecasted US dollar revenue transactions to assess the reliability of the Group's forecasting. We also evaluated whether the effective and ineffective portions of the hedge have been charged to the proper account in line with the requirements of PFRSs. Furthermore, we examined the dollar denominated revenue transactions of the Group to test the completeness and accuracy of the underlying data. Verification of the accuracy of exchange rates used by the Group was also performed in order to determine if such rates used are in line with published rates. We also evaluated the adequacy of the disclosures in respect of the Group's cash flow hedge in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

KPMG

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

KPMG

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Enrico E. Baluyut.

R.G. MANABAT & CO.

ENRICO E. BALUYUT
Partner
CPA License No. 065537
SEC Accreditation No. 1177-AR-1, Group A, valid until April 30, 2018
Tax Identification No. 131-029-752
BIR Accreditation No. 08-001987-26-2014
Issued September 26, 2014; valid until September 25, 2017
PTR No. 5904918MD
Issued January 3, 2017 at Makati City

February 20, 2017
Makati City, Metro Manila

ASIAN TERMINALS, INC. AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	Note	December 31 2016	2015
ASSETS			
Current Assets			
Cash and cash equivalents	*6, 25*	**P5,881,207**	P4,118,761
Trade and other receivables - net	*7, 25*	**426,466**	352,386
Spare parts and supplies	*18*	**314,595**	262,772
Prepaid expenses	*8*	**467,939**	503,676
Total Current Assets		**7,090,207**	5,237,595
Noncurrent Assets			
Investment in an associate	*9*	**54,654**	53,337
Property and equipment - net	*10*	**483,172**	491,030
Intangible assets - net and goodwill	*11*	**14,716,498**	14,934,326
Deferred tax assets - net	*13*	**733,450**	566,331
Other noncurrent assets	*12*	**60,997**	59,145
Total Noncurrent Assets		**16,048,771**	16,104,169
		P23,138,978	P21,341,764
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*14, 25*	**P2,000,359**	P1,414,259
Provisions for claims	*15*	**50,944**	53,539
Port concession rights payable - current portion	*25*	**237,479**	194,696
Income and other taxes payable		**197,887**	195,030
Total Current Liabilities		**2,486,669**	1,857,524
Noncurrent Liabilities			
Port concession rights payable - net of current portion	*25*	**8,748,390**	8,546,021
Pension liability	*21*	**143,857**	190,593
Total Noncurrent Liabilities		**8,892,247**	8,736,614
		11,378,916	10,594,138

Forward

	Note	December 31 2016	2015
Equity			
Equity Attributable to Equity Holders of the Parent Company	*16*		
Capital stock		**P2,000,000**	P2,000,000
Additional paid-in capital		**264,300**	264,300
Retained earnings		**9,910,095**	8,770,700
Hedging reserve		**(415,403)**	(286,578)
Fair value reserve		**(5,820)**	(5,820)
		11,753,172	10,742,602
Non-controlling Interest		**6,890**	5,024
Total Equity		**11,760,062**	10,747,626
		P23,138,978	P21,341,764

See Notes to the Consolidated Financial Statements.

ASIAN TERMINALS, INC. AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Per Share Data)

		Years Ended December 31		
	Note	**2016**	2015	2014
REVENUES FROM OPERATIONS	2	**P9,249,162**	P8,146,497	P8,241,095
GOVERNMENT SHARE IN REVENUES	17	**(1,711,551)**	(1,409,195)	(1,655,234)
		7,537,611	6,737,302	6,585,861
COSTS AND EXPENSES EXCLUDING GOVERNMENT SHARE IN REVENUES	18, 20, 21	**(4,300,952)**	(3,736,118)	(3,598,186)
OTHER INCOME AND EXPENSES				
Finance income	19	**61,994**	51,489	32,217
Finance cost	19	**(581,216)**	(548,784)	(540,493)
Others - net	19	**(112,936)**	(71,947)	181,270
		(632,158)	(569,242)	(327,006)
CONSTRUCTION REVENUES	11	**832,918**	664,250	853,046
CONSTRUCTION COSTS	11	**(832,918)**	(664,250)	(853,046)
		-	-	-
INCOME BEFORE INCOME TAX		**2,604,501**	2,431,942	2,660,669
INCOME TAX EXPENSE	13			
Current		**835,875**	760,851	789,823
Deferred		**(136,367)**	(96,105)	(30,475)
		699,508	664,746	759,348
NET INCOME		**P1,904,993**	P1,767,196	P1,901,321
Income Attributable to				
Equity holders of the Parent Company		**P1,902,391**	P1,764,167	P1,899,055
Non-controlling interest		**2,602**	3,029	2,266
		P1,904,993	P1,767,196	P1,901,321
Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent Company	22	**P0.95**	P0.88	P0.95

See Notes to the Consolidated Financial Statements.

ASIAN TERMINALS, INC. AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Note	Years Ended December 31 2016	2015	2014
NET INCOME FOR THE YEAR		**P1,904,993**	P1,767,196	P1,901,321
OTHER COMPREHENSIVE INCOME				
Item that will never be reclassified to profit or loss				
Actuarial gains (losses) on pension liability	*21*	**81,525**	(21,037)	(16,466)
Tax on item taken directly to equity	*13*	**(24,458)**	6,311	4,940
		57,067	(14,726)	(11,526)
Items that are or may be reclassified to profit or loss				
Cash flow hedge - effective portion		**(384,327)**	(346,584)	(167,881)
Cash flow hedge - reclassified to profit or loss		**200,292**	89,811	15,256
Tax on items taken directly to equity	*13*	**55,210**	77,032	45,787
	16	**(128,825)**	(179,741)	(106,838)
OTHER COMPREHENSIVE INCOME FOR THE YEAR - Net of tax		**(71,758)**	(194,467)	(118,364)
TOTAL COMPREHENSIVE INCOME		**P1,833,235**	P1,572,729	P1,782,957
Total Comprehensive Income Attributable to				
Equity holders of the Parent Company		**P1,830,571**	P1,569,692	P1,780,680
Non-controlling interest		**2,664**	3,037	2,277
		P1,833,235	P1,572,729	P1,782,957

See Notes to the Consolidated Financial Statements.

ASIAN TERMINALS, INC. AND A SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands, Except Per Share Data)

Years Ended December 31

	Note	Attributable to Equity Holders of the Parent Company							Non-controlling Interest	Total Equity
				Retained Earnings						
		Capital Stock	Additional Paid-in Capital	Appropriated for Port Development	Unappropriated	Hedging Reserve	Fair Value Reserve	Total		
Balance at January 1, 2016		P2,000,000	P264,300	P6,100,000	P2,670,700	(P286,578)	(P5,820)	P10,742,602	P5,024	P10,747,626
Cash dividends - P0.41 a share for ATI	16	-	-	-	(820,000)	-	-	(820,000)	(580)	(820,580)
Purchase of shares of subsidiary	3	-	-	-	-	-	-	-	(219)	(219)
Reversal of appropriation of retained earnings	16	-	-	(800,000)	800,000	-	-	-	-	-
Appropriations during the year	16	-	-	2,600,000	(2,600,000)	-	-	-	-	-
Net income for the year		-	-	-	1,902,391	-	-	1,902,391	2,602	1,904,993
Other comprehensive income:										
Actuarial gain - net of tax		-	-	-	57,004	-	-	57,004	63	57,067
Cash flow hedge - effective portion - net of tax	16	-	-	-	-	(269,029)	-	(269,029)	-	(269,029)
Cash flow hedge - reclassified to profit or loss - net of tax	16	-	-	-	-	140,204	-	140,204	-	140,204
Balance at December 31, 2016		**P2,000,000**	**P264,300**	**P7,900,000**	**P2,010,095**	**(P415,403)**	**(P5,820)**	**P11,753,172**	**P6,890**	**P11,760,062**
Balance at January 1, 2015		P2,000,000	P264,300	P4,700,000	P3,141,267	(P106,838)	(P5,820)	P9,992,909	P4,551	P9,997,460
Cash dividends - P0.41 a share for ATI	16	-	-	-	(820,000)	-	-	(820,000)	(830)	(820,830)
Purchase of shares of subsidiary	3	-	-	-	-	-	-	-	(1,734)	(1,734)
Reversal of appropriation of retained earnings	16	-	-	(2,600,000)	2,600,000					
Appropriations during the year	16	-	-	4,000,000	(4,000,000)	-	-	-	-	-
Net income for the year		-	-	-	1,764,167	-	-	1,764,167	3,029	1,767,196
Other comprehensive income:										
Actuarial loss - net of tax		-	-	-	(14,734)	-	-	(14,734)	8	(14,726)
Cash flow hedge - effective portion - net of tax	16	-	-	-	-	(242,608)	-	(242,608)	-	(242,608)
Cash flow hedge - reclassified to profit or loss - net of tax	16	-	-	-	-	62,868	-	62,868	-	62,868
Balance at December 31, 2015		P2,000,000	P264,300	P6,100,000	P2,670,700	(P286,578)	(P5,820)	P10,742,602	P5,024	P10,747,626

Forward

Years Ended December 31

	Note	Attributable to Equity Holders of the Parent Company									
				Retained Earnings							
	Note	Capital Stock	Additional Paid-in Capital	Appropriated for Port Development	Unappropriated	Hedging Reserve	Fair Value Reserve	Total	Non-controlling Interest	Total Equity
Balance at January 1, 2014		P2,000,000	P264,300	P4,700,000	P1,953,749	P -	(P5,820)	P8,912,229	P3,104	P8,915,333
Cash dividends - P0.35 a share for ATI	16	-	-	-	(700,000)	-	-	(700,000)	(830)	(700,830)
Appropriations during the year	16	-	-	-	-	-	-	-	-	-
Net income for the year		-	-	-	1,899,055	-	-	1,899,055	2,266	1,901,321
Other comprehensive income:										
Actuarial loss - net of tax		-	-	-	(11,537)	-	-	(11,537)	11	(11,526)
Cash flow hedge - effective portion - net of tax	16	-	-	-	-	(117,517)	-	(117,517)	-	(117,517)
Cash flow hedge - reclassified to profit or loss - net of tax	16	-	-	-	-	10,679	-	10,679	-	10,679
Balance at December 31, 2014		P2,000,000	P264,300	P4,700,000	P3,141,267	(P106,838)	(P5,820)	P9,992,909	P4,551	P9,997,460

See Notes to the Consolidated Financial Statements.

ASIAN TERMINALS, INC. AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Note	2016	2015	2014
		Years Ended December 31		
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P2,604,501**	P2,431,942	P2,660,669
Adjustments for:				
Depreciation and amortization	*10, 11*	**1,136,532**	944,926	861,976
Finance cost	*19*	**581,216**	548,784	540,493
Net unrealized foreign exchange (gains) losses		**210,264**	98,833	(117,726)
Finance income	*19*	**(61,994)**	(51,489)	(32,217)
Contributions to retirement funds	*21*	**(18,388)**	-	-
Equity in net earnings of an associate	*9*	**(47,170)**	(38,741)	(34,618)
Loss (gain) on disposals of:				
Property and equipment		**(220)**	(718)	(2,279)
Intangible assets		**(3,557)**	1,031	(1,588)
Loss on retirement of:				
Property and equipment		**69**	448	-
Intangible assets		**144**	-	17,273
Amortization of noncurrent prepaid rental		**984**	984	984
Provisions for inventory obsolescence		**-**	-	10,434
Reversal of allowance for doubtful accounts	*7*	**(5,000)**	-	-
Operating income before working capital changes		**4,397,381**	3,936,000	3,903,401
Decrease (increase) in:				
Trade and other receivables		**(69,982)**	128,799	(111,788)
Spare parts and supplies		**(51,822)**	(68,509)	(16,542)
Prepaid expenses		**35,737**	(60,426)	(41,098)
Increase (decrease) in:				
Trade and other payables		**631,320**	(416,741)	150,568
Provisions for claims		**(2,595)**	2,789	(1,310)
Income and other taxes payable		**(4,506)**	10,452	(3,778)
Cash generated from operations		**4,935,533**	3,532,364	3,879,453
Finance income received		**61,341**	47,767	29,053
Finance cost paid		**(9,993)**	(154)	(382)
Income tax paid		**(828,511)**	(785,841)	(745,558)
Net cash provided by operating activities		**4,158,370**	2,794,136	3,162,566

Forward

	Note	2016	2015	2014
			Years Ended December 31	
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property and equipment	*10*	**(P81,711)**	(P141,534)	(P163,471)
Intangible assets	*11*	**(832,918)**	(664,250)	(853,046)
Decrease (increase) in other noncurrent assets		**(765)**	10,062	20,457
Proceeds from disposals of:				
Property and equipment		**1,175**	718	2,332
Intangible assets		**6,172**	2,507	2,694
Decrease (increase) in deposits		**(516)**	1,320	(4,933)
Dividends received	*9*	**45,853**	44,778	32,957
Net cash used in investing activities		**(862,710)**	(746,399)	(963,010)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Cash dividends	*16*	**(820,000)**	(820,000)	(700,000)
Cash dividends to non-controlling interest		**(580)**	(830)	(830)
Purchase of shares of subsidiary		**(219)**	(1,734)	-
Port concession rights payable		**(714,008)**	(714,008)	(637,801)
Net cash used in financing activities		**(1,534,807)**	(1,536,572)	(1,338,631)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,760,853**	511,165	860,925
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**1,593**	670	(4,115)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*6*	**4,118,761**	3,606,926	2,750,116
CASH AND CASH EQUIVALENTS AT END OF YEAR	*6*	**P5,881,207**	P4,118,761	P3,606,926

See Notes to the Consolidated Financial Statements.

ASIAN TERMINALS, INC. AND A SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Per Share Data)

1. Reporting Entity

Asian Terminals, Inc. (ATI or the "Parent Company") was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on July 9, 1986. The consolidated financial statements comprise the financial statements of the Parent Company and its Subsidiary, ATI Batangas, Inc. (ATIB), (collectively referred to as the "Group"). The Parent Company is a public company under Section 17.2 of the Securities Regulation Code and its shares are listed on the Philippine Stock Exchange, Inc. (PSE). The Group operates and manages the South Harbor Port of Manila and the Port of Batangas in Batangas City. The registered office address of the Parent Company is A. Bonifacio Drive, Port Area, Manila.

P & O Management Services Phils., Inc. (POMS) manages ATI by virtue of a management agreement (see Note 20). Forty percent of the outstanding capital stock of POMS is owned by DP World Australia (POAL) Limited. POAL directly owns 17.32% of the total outstanding capital stock of ATI.

2. Operating Contracts

Following are the Group's operating contracts:

a. South Harbor, Port of Manila

ATI's exclusive right to manage, operate and develop South Harbor was renewed for a period of 25 years from May 19, 2013 to May 18, 2038 pursuant to the Third Supplement to the Contract for Cargo Handling and Related Services with the Philippine Ports Authority (PPA) dated October 19, 2007.

b. Port of Batangas

On October 2, 2015, ATI and ATIB signed a Contract for the Management, Operation, Maintenance and Development of Phase I, Port of Batangas with a term from October 1, 2015 until September 30, 2025.

On January 18, 2010, the PPA issued to ATI the Notice to Award the Contract for the Management, Operation, Maintenance, Development and Promotion of the Container Terminal "A-1," Phase II of the Port of Batangas for a period of 25 years. The Contract was signed on March 25, 2010. The Notice to Proceed dated June 16, 2010 allowed ATI to start and commence operations at the Terminal on July 1, 2010.

3. Basis of Preparation

Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

The consolidated financial statements were authorized for issue by the Board of Directors (BOD) on February 20, 2017.

Basis of Measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis except for the following items, which are measured on an alternative basis on each reporting date:

- available-for-sale (AFS) financial assets measured at fair value; and
- pension liability measured at the fair value of plan assets less the present value of the defined benefit obligation.

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All amounts have been rounded off to the nearest thousand pesos (P000), except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of ATI and ATIB. ATIB is a 99.17% owned subsidiary as at December 31, 2016 and 2015. On August 4, 2015, ATI purchased 714 shares of ATIB, increasing its ownership to ATIB to 99.17% as at December 31, 2015. The financial statements of ATIB are prepared for the same financial reporting year as ATI, using uniform accounting policies for like transactions and other events in similar circumstances.

All intra-group balances, transactions, income and expenses resulting from intra-group transactions are eliminated in full.

ATIB is fully consolidated from the date of acquisition, being the date when ATI obtained control, and continues to be consolidated until the date that such control ceases.

Non-controlling interest represents the portion of profit and loss and net assets in ATIB not held by ATI and are presented separately in the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity, and within equity in the consolidated statements of financial position.

4. Significant Accounting Policies

The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

The Group has adopted amendments to standards and interpretations, including any consequential amendments to other standards, with date of initial application of January 1, 2016.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The adoption of the following amendment to standard did not have any significant impact on the Group's consolidated financial statements.

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16 and PAS 38).* The amendments to PAS 38, *Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated,' or when the intangible asset is expressed as a measure of revenue.

  The amendments to PAS 16, *Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g., changes in sales volumes and prices.

- *Equity Method in Separate Financial Statements (Amendments to PAS 27).* The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries.

- *Annual Improvements to PFRSs 2012 - 2014 Cycle.* This cycle of improvements contains amendments to four standards, none of which are expected to have significant impact on the Group's consolidated financial statements.

  - *Disclosure of information "elsewhere in the interim financial report" (Amendment to PAS 34).* PAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report" - i.e., incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g., management commentary or risk report). The interim financial report is incomplete if the interim financial statements and any disclosure incorporated by cross□reference are not made available to users of the interim financial statements on the same terms and at the same time.

  - *Disclosure Initiative (Amendments to PAS 1)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:

  - Information should not be obscured by aggregating or by providing immaterial information.

- Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.

- The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

- An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

<u>Standards Issued but Not Yet Adopted</u>
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2016. However, the Group has not applied the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

Effective January 1, 2017

- *Disclosure initiative (Amendments to PAS 7).* The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g., by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

  The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. When an entity first applies the amendments, it is not required to provide comparative information for preceding periods.

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12).* The amendments clarify that:

  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;

  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;

  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2017. Early adoption is permitted. On initial application, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If an entity applies the relief, it shall disclose that fact.

Effective January 1, 2018

- PFRS 9, *Financial Instruments (2014)*. PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

  The Group is assessing the potential impact on its consolidated financial statements resulting from the application of PFRS 9.

- PFRS 15, *Revenue from Contracts with Customers* replaces PAS 11, *Construction Contracts*, PAS 18 *Revenue* and related Philippine Interpretations. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

  The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Effective January 1, 2019

- *PFRS 16 Leases* supersedes PAS 17 *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

  PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of PFRS 16.

  The Group is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date.

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28).* The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

  The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

  Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date of these amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Financial Assets and Financial Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those classified as financial assets at fair value through profit or loss (FVPL), includes transaction costs.

Financial assets are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and AFS financial assets. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities. The Group determines the classification of financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

The Group does not have HTM investments and financial assets and liabilities at FVPL.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Any interest earned on loans and receivables shall be recognized as part of "Finance income" in the consolidated statements of income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of "Finance income" in the consolidated statements of income. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

The Group's cash and cash equivalents, trade and other receivables and deposits are included in this category (see Notes 6, 7, 12 and 25).

The combined carrying amounts of financial assets under this category amounted to P6.3 billion and P4.5 billion as at December 31, 2016 and 2015, respectively (see Note 25).

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income and presented in the "Fair value reserve" in equity. Dividends earned on holding AFS equity securities are recognized as dividend income when the right to receive payment has been established. When individual AFS financial assets are either derecognized or impaired, the related accumulated unrealized gains or losses previously reported in equity are transferred to and recognized in profit or loss.

AFS financial assets also include unquoted equity instruments with fair values which cannot be reliably determined. These instruments are carried at cost less impairment in value, if any.

The Group's investments in quoted and unquoted shares are included under "Other noncurrent assets" account and classified under this category (see Note 12).

The carrying amount of financial assets under this category amounted to P2.7 million as at December 31, 2016 and 2015 (see Note 25).

Financial Liabilities

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

Included in this category are the Group's trade and other payables and port concession rights payable (see Notes 14 and 25).

The combined carrying amounts of financial liabilities under this category amounted to P11.0 billion and P10.2 billion as at December 31, 2016 and 2015, respectively (see Note 25).

Determination of Fair Values. The fair value financial instruments not listed in an active market is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation methods.

Measurement of Fair Values. A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy, described as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at reporting date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input that is significant to the entire measurement.

Fair values of financial instruments are discussed in Note 25 to the consolidated financial statements.

'Day 1' Profit. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss. In cases where no observable data are used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

Derecognition of Financial Assets and Liabilities
Financial Assets. A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired; or

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred the control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets
The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Assets Carried at Amortized Cost. For assets carried at amortized cost such as loans and receivables, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Group includes the asset as part of a group of financial assets pooled according to their credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower.

For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The impairment loss for the period shall be recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Assets Carried at Cost. If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS Financial Assets. If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair values, less any impairment loss on that financial asset previously recognized in profit or loss is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss. Reversals of impairment losses on debt instruments are recognized in profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Spare Parts and Supplies
Spare parts and supplies are stated at the lower of cost and net realizable value (selling price less cost to complete and sell). Cost is determined using the weighted average method and includes all expenditures incurred in acquiring and bringing them to their existing location and condition.

Investment in a Subsidiary
A subsidiary is an entity controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiary are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling Interest
Non-controlling interest (NCI) is measured at its proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of Control
When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Investment in an Associate
The Group's 35.71% investment in its associate, South Cotabato Integrated Port Services, Inc. (SCIPSI), is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Under the equity method, the investment in the associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss of the associate after the date of acquisition. The Group's share in the profit or loss of the associate is recognized in the Group's consolidated statement of income. Dividends received from the associate reduce the carrying amount of the investment. Adjustment to the carrying amount, may also be necessary for changes in the Group's proportionate interest in the associate arising from changes in the associate's other comprehensive income.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized.

The financial statements of the associate are prepared for the same reporting period as the Group. The accounting policies of the associate conform to those used by the Group for like transactions and events in similar circumstances.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization and any accumulated impairment. Such cost includes the cost of replacing part of such property and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing.

The initial cost of property and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes interest incurred during the construction period on funds borrowed to finance the construction of the projects. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Port facilities and equipment include spare parts that the Group expects to use for more than one year. These are not depreciated until ready for its intended use. However, these are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the spare parts may not be recoverable.

Construction in progress represents structures under construction and is stated at cost. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property and equipment are capitalized during the construction period. Construction in progress is not depreciated until such time that the relevant assets are substantially completed and ready for its intended use.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Port facilities and equipment	2 - 25 years or life of the operating contract, whichever is shorter
Leasehold improvements	2 - 40 years or term of the lease, whichever is shorter
Furniture, fixtures and equipment	5 years
Transportation and other equipment	4 - 5 years

The remaining useful lives, residual values, depreciation and amortization method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization are recognized in profit or loss.

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising on the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period of retirement or disposal.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized using the straight-line method over the period covered by the contract or useful life, whichever is shorter. The amortization period and the amortization method are reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are treated as changes in accounting estimates. The amortization expense is recognized in profit or loss in the expense category consistent with the function of the intangible asset. Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss and measured as the difference between the net disposal proceeds and the carrying amount of the asset.

Port Concession Rights

The Group recognizes port concession rights as intangible assets arising from a service concession arrangement in which the grantor controls or regulates the services provided and the prices charged, and also controls any significant residual interests in the infrastructure at the end of the term of the arrangement, such as property and equipment, if the infrastructure is existing infrastructure of the grantor or the infrastructure is constructed or purchased by the Group as part of the service concession arrangement.

Port concession rights consist of:

a. Upfront fees payments on the concession contracts;

b. The cost of port infrastructure constructed and port equipment purchased, which are not recognized as property and equipment of the Group but as intangible asset; and

c. Future fixed government share considerations in exchange for license or right. Fixed government share are recognized at present value using the discount rate at the inception date with a corresponding liability recognized. Interest on the unwinding of discount of the liability and foreign exchange differences arising from translations are recognized in profit or loss.

Port concession rights are determined as intangible assets with finite useful lives and are amortized using the straight-line method over the concession period or useful life, whichever is shorter. The amortization period and the amortization method are reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are treated as changes in accounting estimates. The amortization expense is recognized in profit or loss in the expense category consistent with the function of the intangible asset. Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss and measured as the difference between the net disposal proceeds and the carrying amount of the asset.

Port concession rights are amortized using the straight-line method over the term of service concession arrangements or useful life ranging from 2 to 25 years.

Goodwill
Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

Impairment is determined by assessing the recoverable amount of the investment to which the goodwill relates. Where the recoverable amount is less than the carrying amount of the investment, an impairment loss is recognized. An impairment loss in respect of goodwill is not reversed. Where part of the operation within the investment is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of Non-financial Assets
The carrying amounts of investment in an associate, property and equipment and intangible assets other than goodwill are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Provisions

Provisions are recognized when the Group has: (a) a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and those risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Share Capital

Capital Stock

Capital stock is classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Additional Paid-in Capital

The amount of contribution in excess of par value is accounted for as "Additional paid-in capital." Additional paid-in capital also arises from additional capital contributions from the shareholders.

Retained Earnings and Dividend Distribution

Retained earnings include current and prior years' results, net of transactions with shareholders and dividends declared, if any.

Dividend distribution to the Group's shareholders is recognized as a liability, and deducted from equity in the Group's consolidated statements of financial position in the period in which the dividends are approved and declared by the Group's BOD.

Retained earnings may also include prior year adjustments and the effect of changes in accounting policies as may be required by the standards' transitional provisions.

Revenue, Cost and Expense Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, net of discounts, rebates and applicable taxes. The following are specific recognition policies of the Group:

- Revenues from cargo handling operations are recognized when services are rendered.
- Passenger terminal fees are recognized upon sale of terminal tickets.
- Finance income is recognized on a time proportion basis that reflects the effective yield on the investment.
- Other income is recognized when earned.

Construction Revenues and Costs
The Group recognizes revenue related to construction and upgrade of services under service concession arrangement based on the stage of completion of work performed in accordance with PAS 11, *Construction Contracts*. When the construction or upgrade services are provided or delivered under concession arrangement accounted within the scope of IFRIC 12, the consideration is measured at the fair value of the construction services provided. No margin has been recognized since the fair value of the construction services provided approximates the construction cost.

Cost and Expense Recognition
Costs and expenses are recognized upon receipt of goods, utilization of services or at the date they are incurred.

Borrowing Costs
Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. The capitalization of borrowing costs: (a) commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are being incurred; (b) is suspended during extended periods in which active development, improvement and construction of the assets are interrupted; and (c) ceases when substantially all the activities necessary to prepare the assets are complete. These costs are amortized using the straight-line method over the estimated useful life of the related property, plant and equipment to which it is capitalized.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss in the period in which these are incurred using the effective interest method.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specific asset; and

(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Operating Lease
Group as Lessee. Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Employee Benefits

a. *Short-term Employee Benefits*
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present, legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

b. *Pensions*
ATI and ATIB have funded, defined benefit pension plans, administered by a common pension trustee, covering their permanent employees. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets out of which the obligation is to be settled directly. The value of any plan asset recognized is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Foreign Currency Transactions
The consolidated financial statements are presented in Philippine peso, which is the Group's functional currency. Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. All differences are taken to the profit or loss. Foreign currency gains and losses are reported on a net basis.

Cash Flow Hedge of a Forecast Transaction Using a Non-derivative Instrument
The port concession rights payable i.e. hedging instrument is a non-derivative monetary item. A non-derivative financial instrument is permitted to be used as a hedging instrument only for hedges of foreign currency risk. The effective portion of the foreign exchange gains and losses on the hedging instrument is recognized in other comprehensive income. Any ineffective portion is recognized in profit or loss.

The spot movement of the port concession rights payable that is recognized in other comprehensive income is reclassified to profit or loss when the hedged item i.e. the highly probable forecast revenue transaction affects profit or loss. Since the impact of the hedged risk on profit or loss arising from the highly probable forecast transaction is expected to impact profit or loss over future periods, the amount recognized in the hedging reserve will remain in other comprehensive income until the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, terminated or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

Taxes
Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates (tax laws) enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred Tax. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in a domestic subsidiary and an associate.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (tax laws) that have been enacted or substantively enacted by the end of the reporting period.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value Added Tax (VAT). Revenue, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with amount of VAT included.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of receivables or payables in the consolidated statements of financial position.

Earnings Per Share (EPS)
Basic EPS is calculated by dividing the net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to any stock dividends declared during the year.

The Group does not have potential common shares or other instruments that may entitle the holder to common shares. Hence, diluted EPS is the same as basic EPS.

Operating Segments
The Group's operating businesses are organized and managed separately according to the lines of business: port and non-port, with each segment representing a strategic business unit that serves different markets. Management reviews segment reports on a regular basis.

The Group has a single reportable operating segment, as its business has been mainly on port operations since 2010.

The Group operates only in the Philippines which is treated as a single geographical segment.

Segment capital expenditure is the total cost incurred during the year to acquire property and equipment and intangible assets other than goodwill.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Reporting Date
Post year-end events that provide additional information about the Group's consolidated financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements in accordance with PFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future periods affected.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Parent Company and its subsidiary has been determined to be the Philippine peso. It is the currency that mainly influences the price and cost of providing services

Operating Lease. The Group has entered into various lease agreements as a lessee. The Group had determined that significant risks and rewards for properties leased from third parties are retained by the lessors.

Rent expense charged to consolidated statements of income amounted to P152.5 million, P150.3 million and P171.0 million in 2016, 2015 and 2014, respectively (see Note 18).

Estimates and Assumptions

The key estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Hedging of Highly Probable Forecast Transaction using a Non-derivative Instrument. Estimates and assumptions are required on the determination of the Group's highly probable dollar denominated stevedoring revenue to determine the Group's exposure on spot rate changes that will be hedged using a non-derivative financial instrument which is the Group port concession rights payable which is denominated in US Dollars. On the inception of the hedge the management is required to develop a highly probable revenue forecast using the Group's budgeted stevedoring revenues which are adjusted based on the actual to budget historical deviation rate. The Group believes that, while the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements.

6. Cash and Cash Equivalents

	2016	2015
	(In Thousands)	
Cash on hand and in banks	**P211,948**	P272,885
Short-term investments	**5,669,259**	3,845,876
	P5,881,207	P4,118,761

Cash in banks earns interest at floating rates based on daily bank deposit rates. Short-term investments are made for varying periods of between one and sixty days depending on the cash requirements of the Group, and earn interest at the prevailing short-term deposit rates (see Note 19).

7. Trade and Other Receivables

	Note	2016	2015
		(In Thousands)	
Trade receivables		**P390,093**	P292,358
Advances to officers and employees		**20,977**	27,781
Receivable from escrow fund		**13,174**	13,174
Due from related parties	*20*	**11,121**	16,760
Interest receivable		**4,440**	5,342
Receivable from insurance		**149**	6,012
Other receivables		**5,114**	14,561
		445,068	375,988
Allowance for impairment losses		**(18,602)**	(23,602)
		P426,466	P352,386

Trade and other receivables are noninterest-bearing and generally have credit term of thirty (30) days.

Movements in the allowance for impairment losses on trade and other receivables are as follows:

	Individually Impaired	Collectively Impaired	Total
		(In Thousands)	
Balance at January 1, 2015	P9,255	P14,347	P23,602
Provisions during the year	8,206	-	8,206
Reversals during the year	-	(8,206)	(8,206)
Balance at December 31, 2015	17,461	6,141	23,602
Provisions during the year	-	8,301	8,301
Reversals during the year	(13,301)	-	(13,301)
Balance at December 31, 2016	**P4,160**	**P14,442**	**P18,602**

As at December 31, 2016 and 2015, the aging analysis of trade and other receivables is as follows:

2016

		Neither Past Due nor	Past Due but not Impaired				Past Due and
	Total	**Impaired**	**< 30 Days**	**30 - 60 Days**	**61 - 90 Days**	**Over 90 Days**	**Impaired**
			(In Thousands)				
Trade receivables	**P390,093**	**P379,295**	**P1,170**	**P -**	**P -**	**P -**	**P9,628**
Other receivables	**54,975**	**12,025**	**8,632**	**362**	**1,726**	**23,256**	**8,974**
	P445,068	**P391,320**	**P9,802**	**P362**	**P1,726**	**P23,256**	**P18,602**

2015

		Neither Past Due nor	Past Due but not Impaired				Past Due and
	Total	Impaired	< 30 Days	30 - 60 Days	61 - 90 Days	Over 90 Days	Impaired
			(In Thousands)				
Trade receivables	P292,358	P278,646	P7,308	P -	P -	P -	P6,404
Other receivables	83,630	11,588	1,021	2,519	5,145	46,159	17,198
	P375,988	P290,234	P8,329	P2,519	P5,145	P46,159	P23,602

8. Prepaid Expenses

	Note	**2016**	2015
		(In Thousands)	
Taxes		**P393,342**	P392,400
Insurance		**41,099**	45,549
Advances to contractors		**13,951**	14,344
Rental	*12, 23*	**13,276**	43,375
Advances to government agencies		**101**	101
Others		**6,170**	7,907
		P467,939	P503,676

Taxes pertain to the Group's input VAT credits.

9. Investment in an Associate

ATI has a 35.71% interest in SCIPSI, which is engaged in arrastre, stevedoring and other related cargo handling services, except porterage, in Makar Wharf, General Santos City, Philippines. SCIPSI is not listed in any public exchange. The carrying amounts of investment in an associate as at December 31 are as follows:

	Note	2016	2015
		(In Thousands)	
Acquisition cost		**P11,222**	P11,222
Accumulated equity in net earnings:			
Balance at beginning of year		**42,115**	48,152
Equity in net earnings for the year	*19*	**47,170**	38,741
Dividends received during the year		**(45,853)**	(44,778)
		43,432	42,115
		P54,654	P53,337

The following table shows the summarized financial information of SCIPSI:

	2016*	2015*
	(In Thousands)	
Current assets	**P116,503**	P117,882
Noncurrent assets	**53,669**	41,631
Total assets	**P170,172**	P159,513
Current liabilities	**P35,187**	P31,783
Noncurrent liabilities	**3,891**	3,842
Total liabilities	**P39,078**	P35,625
Revenues	**P314,666**	P273,706
Expenses	**182,583**	165,216
Net income	**P132,083**	P108,490

**Based on unaudited financial statements*

Dividend income of P12.9 million, P9.7 million, P10.7 million, and P12.5 million was received in March 2016, June 2016, October 2016, and December 2016, respectively. Dividend income of P17.9 million, P9.0 million and P17.9 million was received in March 2015, June 2015, and December 2015, respectively.

10. Property and Equipment

The movements in this account are as follows:

2016

	Port Facilities and Equipment	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation and Other Equipment	Construction In-progress	Total
			(In Thousands)			
Cost						
Balance at beginning of year	P74,031	P554,776	P382,029	P158,411	P35,145	P1,204,392
Additions	3,592	-	42,084	20,501	15,534	81,711
Disposals	-	-	(15,455)	(8,286)	-	(23,741)
Reclassifications	66,544	-	22,462	-	(31,992)	57,014
Retirements	(195)	(852)	(6,707)	(316)	-	(8,070)
Balance at end of year	143,972	553,924	424,413	170,310	18,687	1,311,306
Accumulated Depreciation and Amortization						
Balance at beginning of year	52,968	340,836	223,135	96,423	-	713,362
Additions	6,797	16,276	46,533	19,489	-	89,095
Disposals	-	-	(15,455)	(7,331)	-	(22,786)
Reclassifications	56,464	-	-	-	-	56,464
Retirements	(195)	(852)	(6,638)	(316)	-	(8,001)
Balance at end of year	116,034	356,260	247,575	108,265	-	828,134
Carrying Amount	P27,938	P197,664	P176,838	P62,045	P18,687	P483,172

2015

	Port Facilities and Equipment	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation and Other Equipment	Construction in-progress	Total
			(In Thousands)			
Cost						
Balance at beginning of year	P58,529	P534,887	P344,782	P145,305	P65,054	P1,148,557
Additions	15,201	19,889	53,356	21,354	31,734	141,534
Disposals	-	-	(13,875)	(8,949)	-	(22,824)
Reclassifications	301	-	20,046	1,401	(61,643)	(39,895)
Retirements	-	-	(22,280)	(700)	-	(22,980)
Balance at end of year	74,031	554,776	382,029	158,411	35,145	1,204,392
Accumulated Depreciation and Amortization						
Balance at beginning of year	47,655	326,426	231,639	87,212	-	692,932
Additions	5,313	14,410	29,917	18,482	-	68,122
Disposals	-	-	(13,875)	(8,949)	-	(22,824)
Reclassifications	-	-	(2,338)	-	-	(2,338)
Retirements	-	-	(22,208)	(322)	-	(22,530)
Balance at end of year	52,968	340,836	223,135	96,423	-	713,362
Carrying Amount	P21,063	P213,940	P158,894	P61,988	P35,145	P491,030

In 2015, the Group modified classification of some items of property and equipment that were identified as part of the concession arrangements with the Grantor. Accordingly, these items with a cost of P39.9 million were reclassified to intangible assets (see Note 11).

11. Intangible Assets and Goodwill

The movements in this account are as follows:

2016

	Port Concession Rights					
	Upfront Fees	Fixed Government Share	Port Infrastructure	Subtotal	Goodwill	Total
			(In Thousands)			
Cost						
Balance at beginning of year	P282,000	P9,279,694	P12,396,335	P21,958,029	P42,060	P22,000,089
Additions	-	-	832,918	832,918	-	832,918
Disposals	-	-	(186,722)	(186,722)	-	(186,722)
Reclassifications	-	-	(57,014)	(57,014)	-	(57,014)
Retirements	-	-	(3,244)	(3,244)	-	(3,244)
Balance at end of year	282,000	9,279,694	12,982,273	22,543,967	42,060	22,586,027
Accumulated Depreciation and Amortization						
Balance at beginning of year	29,534	2,012,986	5,023,243	7,065,763	-	7,065,763
Additions	11,280	386,596	649,561	1,047,437	-	1,047,437
Disposals	-	-	(184,107)	(184,107)	-	(184,107)
Reclassifications	-	-	(56,464)	(56,464)	-	(56,464)
Retirements	-	-	(3,100)	(3,100)	-	(3,100)
Balance at end of year	40,814	2,399,582	5,429,133	7,869,529	-	7,869,529
Carrying Amount	P241,186	P6,880,112	P7,553,140	P14,674,438	P42,060	P14,716,498

2015

	Port Concession Rights					
	Upfront Fees	Fixed Government Share	Port Infrastructure	Subtotal	Goodwill	Total
			(In Thousands)			
Cost						
Balance at beginning of year	P282,000	P8,342,270	P11,833,032	P20,457,302	P42,060	P20,499,362
Additions	-	937,424	664,250	1,601,674	-	1,601,674
Disposals	-	-	(140,666)	(140,666)	-	(140,666)
Reclassifications	-	-	39,897	39,897	-	39,897
Retirements	-	-	(178)	(178)	-	(178)
Balance at end of year	282,000	9,279,694	12,396,335	21,958,029	42,060	22,000,089
Accumulated Depreciation and Amortization						
Balance at beginning of year	18,254	1,696,697	4,608,976	6,323,927	-	6,323,927
Additions	11,280	316,290	549,234	876,804	-	876,804
Disposals	-	-	(137,128)	(137,128)	-	(137,128)
Reclassifications	-	-	2,338	2,338	-	2,338
Retirements	-	-	(178)	(178)	-	(178)
Balance at end of year	29,534	2,012,987	5,023,242	7,065,763	-	7,065,763
Carrying Amount	P252,466	P7,266,707	P7,373,093	P14,892,266	P42,060	P14,934,326

No borrowing costs were capitalized in 2015 and 2014. The unamortized capitalized borrowing costs as at December 31, 2016 and 2015 amounted to P83.3 million and P88.2 million, respectively.

Goodwill

Key Assumptions

In testing impairment of goodwill, the recoverable amount of ATIB is the value in use, which has been determined by calculating the present value of cash flow projections from the operations of ATIB. The average revenue growth rate assumption used was 5%. The discount rate applied to cash flow projections is 5.55% in 2016 and 5.00% in 2015 based on the industry's weighted average cost of capital (WACC).

Sensitivity to Changes in Assumptions
The estimated recoverable amount of ATIB exceeds its carrying amount by approximately P3.5 billion and P2.4 million in 2016 and 2015, respectively. Management has identified that earnings before interest and tax and discount rates are the key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount.

12. Other Noncurrent Assets

	Note	**2016**	2015
		(In Thousands)	
Deposits	*25*	**P34,958**	P32,886
Taxes		**20,106**	19,341
Rental		**3,281**	4,266
AFS financial assets	*25*	**2,652**	2,652
		P60,997	P59,145

Deposits mainly represent payments related to property leases and utilities. This account includes noninterest-bearing rental deposits on a lease agreement that was carried at fair value as of initial recognition determined based on the present value of future cash flows discounted using effective interest rate of 3.70%. The carrying amounts of these deposits at amortized cost amounted to P10.8 million and P9.3 million as at December 31, 2016 and 2015, respectively. The difference between the original amount of noninterest-bearing rental deposits and their present values at "Day 1" qualified for recognition as prepaid rental. The prepaid rental (included in current and noncurrent prepayment) amounted to P4.3 million and P5.2 million as at December 31, 2016 and 2015, respectively.

Taxes pertain to noncurrent portion of the value-added input tax on capital goods exceeding P1 million.

The current portion of such prepaid rental, presented under "Prepaid expenses - rental" account amounted to P13.3 million and P43.4 million as at December 31, 2016 and 2015, respectively (see Note 8).

AFS financial assets consist of investments in quoted and unquoted shares.

13. Income Tax

A reconciliation between the statutory tax rate and the effective tax rate on income before income tax follows:

	2016	2015	2014
Statutory income tax rate	**30.00%**	30.00%	30.00%
Changes in income tax rate resulting from:			
Income subjected to final tax	**(0.89)**	(1.09)	(0.52)
Others	**(2.25)**	(1.58)	(0.94)
Effective income tax rate	**26.86%**	27.33%	28.54%

The movements in deferred tax balances are as follows:

2016	Note	Net Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	December 31 Deferred Tax Assets	Deferred Tax Liabilities	Net
Port concession rights payable related to fixed government share	25	P275,486	P65,256	P -	P340,742	P -	P340,742
Cash flow hedge		122,819	-	55,210	178,029	-	178,029
Unrealized foreign exchange loss - net		96,245	63,280	-	159,525	-	159,525
Pension liability	21	58,295	9,169	(24,458)	43,006	-	43,006
Provisions for claims		16,062	(778)	-	15,284	-	15,284
Excess of cost over net realizable value of spare parts and supplies		11,469	-	-	11,469	-	11,469
Impairment losses on receivables	7	6,798	(1,500)	-	5,298	-	5,298
Accrued operating lease		5,617	(646)	-	4,971	-	4,971
Rental deposit	8, 12	2,006	(171)	-	1,835	-	1,835
Unamortized capitalized borrowing costs and custom duties		(28,466)	1,757	-	-	(26,709)	(26,709)
Net tax assets (liabilities)		P566,331	P136,367	P30,752	P760,159	(P26,709)	P733,450

2015	Note	Net Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	December 31 Deferred Tax Assets	Deferred Tax Liabilities	Net
Port concession rights payable related to fixed government share	25	P223,407	P52,079	P -	P275,486	P -	P275,486
Cash flow hedge		45,787	-	77,032	122,819	-	122,819
Unrealized foreign exchange loss - net		67,831	28,414	-	96,245	-	96,245
Pension liability	21	38,939	13,045	6,311	58,295	-	58,295
Provisions for claims		15,225	837	-	16,062	-	16,062
Excess of cost over net realizable value of spare parts and supplies		11,469	-	-	11,469	-	11,469
Impairment losses on receivables	7	6,798	-	-	6,798	-	6,798
Accrued operating lease		5,645	(28)	-	5,617	-	5,617
Rental deposit	8, 12	2,110	(104)	-	2,006	-	2,006
Unamortized capitalized borrowing costs and custom duties		(30,328)	1,862	-	-	(28,466)	(28,466)
Net tax assets (liabilities)		P386,883	P96,105	P83,343	P594,797	(P28,466)	P566,331

Net deferred tax assets have been recognized because management believes that the Group will earn sufficient future taxable profits against which it can utilize the benefits therefrom.

14. Trade and Other Payables

	Note	2016	2015
		(In Thousands)	
Trade		**P129,655**	P121,876
Accrued expenses:			
Marketing, commercial and promotion		**261,910**	54,033
Personnel costs		**161,570**	154,467
Finance costs		**157,198**	147,357
Professional fees		**156,105**	13,773
Repairs and maintenance		**97,743**	41,919
Corporate social responsibility		**38,830**	30,036
Rental	*23*	**31,145**	38,795
Trucking expense		**28,083**	4,163
Security expenses		**12,417**	19,686
Utilities		**10,495**	9,832
Safety and environment		**1,897**	1,294
Miscellaneous accrued expenses		**98,753**	68,053
Due to government agencies	*23*	**532,515**	388,471
Equipment acquisitions		**110,381**	157,739
Shippers' and brokers' deposits		**76,233**	76,411
Due to related parties	*20*	**9,115**	8,676
Other payables		**86,314**	77,678
		P2,000,359	P1,414,259

Following are the terms and conditions of the above liabilities:

- Trade payables are non-interest bearing and are normally settled on 30 to 60-day terms.
- Accrued finance costs are normally settled quarterly and semi-annually throughout the financial year.
- Other payables are non-interest bearing and are normally settled within twelve months from inception date.

15. Provisions for Claims

	2016	2015
	(In Thousands)	
Balance at beginning of year	**P53,539**	P50,750
Provisions during the year	**5,814**	7,402
Payments during the year	**(8,409)**	(4,613)
Balance at end of year	**P50,944**	P53,539

Provisions relate to property, equipment and cargo damage and other claims, which were recognized in connection with services rendered during the year. It is expected that most of these provisions will be settled within the next financial year or on demand.

16. Equity

Pursuant to the registration statement rendered effective by the SEC and permit to sell issued by the SEC both dated April 7, 1995, 1 billion common shares of the Parent Company were registered and may be offered for sale at an offer price of P5.10 per common share. On March 26, 1999, another registration statement was rendered effective by the SEC and permit to sell issued by the SEC for 1 billion common shares of the Parent Company and may be offered for sale at an offer price of P1.00 per common share. As at December 31, 2016, the Parent Company has a total of 2 billion issued and outstanding common shares and 845 stockholders.

Capital Stock - P1 Par Value
The Parent Company has 2 billion issued and fully paid capital stock, from its 4 billion authorized common shares, as at December 31, 2016 and 2015.

Retained Earnings
The balance of the Group's retained earnings includes a subsidiary and an associate's undistributed net earnings of P93.7 million and P94.6 million as at December 31, 2016 and 2015, respectively, which are available for distribution only upon declaration of dividends by such subsidiary and associate to the Parent Company. Cash dividends are distributed yearly since 2000.

On April 28, 2016, the BOD approved the declaration of cash dividends amounting to P820 million or P0.41 per share payable on June 15, 2016 to common shareholders of record as at May 20, 2016.

On April 23, 2015, the BOD approved the declaration of cash dividends amounting to P820 million or P0.41 per share payable on June 10, 2015 to common shareholders of record as at May 15, 2015.

On December 19, 2016, the Group's BOD approved the reversal to the unappropriated retained earnings of the amount of P800 million out of the already approved appropriation of P6.1 billion, for capital expenditures for 2014 and 2015. Furthermore, the Group's BOD approved an appropriation of the retained earnings amounting to P2.60 billion for capital expenditures for the next 2 years. The Group's BOD also approved on the same date a budget amounting to P4.6 billion for capital expenditures which include yard and berth development as well as construction of new facilities and equipment acquisition for 2017. The capital expenditures will strengthen the Group's operations and capability to handle growth and will be sourced from internal funds.

Fair Value Reserve
Fair value reserve amounting to P5.8 million as at December 31, 2016 and 2015 represents unrealized loss on AFS financial assets.

Hedging Reserve
The hedging reserve includes the effective portion of the cumulative net change in the fair value of the port concession payable used as cash flow hedge against foreign currency risk.

For the years ended December 31, 2016, 2015 and 2014, the effective fair value changes of the Group's cash flow hedge that was recognized in the comprehensive income amounted to P128.8 million, P179.7 million and P106.8 million, respectively, net of tax.

17. Government Share in Revenues

This account consists of port authorities' share in revenues of the Group as stipulated in the agreements with port authorities where the Group operates (Note 2). Port authorities' share in gross revenues includes variable government share amounting to P1.7 billion, P1.4 billion and P1.7 billion in 2016, 2015 and 2014, respectively (see Notes 23).

18. Costs and Expenses Excluding Government Share in Revenues

	Note	**2016**	2015	2014
			(In Thousands)	
Labor costs	*20, 21*	**P1,192,514**	P1,091,422	P978,932
Depreciation and amortization	*10, 11*	**1,136,532**	944,926	861,976
Equipment running		**485,263**	482,841	541,581
Taxes and licenses		**254,873**	279,253	215,561
Facilities-related expenses		**183,602**	161,622	159,847
Professional fees		**174,313**	47,746	52,438
Security, health, environment and safety		**161,277**	160,190	152,429
Rental	*23*	**152,469**	150,295	171,012
Marketing, commercial and promotion		**136,226**	36,705	56,734
Management fees	*20*	**112,965**	105,230	115,949
Insurance		**66,942**	64,393	74,944
General transport		**14,894**	21,532	41,778
Entertainment, amusement and recreation		**5,921**	4,730	3,998
Others		**223,161**	185,233	171,007
		P4,300,952	P3,736,118	P3,598,186

Labor costs include salaries, benefits and pension expense.

Spare parts and supplies used and included under equipment running amounted to P165.7 million, P141.9 million, and P169.0 million in 2016, 2015 and 2014, respectively.

19. Other Income and Expenses

Finance cost is broken down as follows:

	Note	**2016**	2015	2014
			(In Thousands)	
Interest on port concession rights payable		**P573,110**	P543,141	P537,638
Interest component of pension expense	*21*	**7,953**	5,490	2,473
Interest on bank loans/credit facilities		**153**	153	382
		P581,216	P548,784	P540,493

Interest on port concession rights payable pertains to the interest on the unwinding of discount of said liability (see related policy on port concession rights in Note 4).

Finance income is broken down as follows:

	Note	**2016**	2015	2014
			(In Thousands)	
Interest on cash in banks and short-term investments	*6*	**P60,438**	P50,140	P30,964
Accretion of rental deposits	*23*	**1,556**	1,349	1,253
		P61,994	P51,489	P32,217

Others consist of the following:

	Note	**2016**	2015	2014
			(In Thousands)	
Income from insurance claims		**P74,167**	P354	P54,878
Equity in net earnings of an associate	*9*	**47,170**	38,741	34,618
Lease and other income - net		**28,585**	9,718	5,485
Management income	*20*	**9,184**	7,260	6,999
Foreign exchange gains - others		**91**	6,872	463
Foreign exchange losses - cash flow hedge		**(211,856)**	(99,501)	(19,857)
Foreign exchange gains (losses) - port concession rights payable		**(60,277)**	(35,391)	98,684
		(P112,936)	(P71,947)	P181,270

Foreign exchange gains (losses) - port concession rights payable resulted from revaluation of foreign currency denominated port concession rights payable.

20. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

The Group, in the normal course of business, has the following transactions with its related parties:

A. Amount owed by SCIPSI pertains to management fees equivalent of 6% of gross revenue.

B. The Parent Company and its subsidiary have separate, noncontributory, defined benefit retirement plans covering all its regular employees, in the form of a trust being maintained by a trustee bank. The benefits are based on the employee's years of service and final plan salary. Contributions were made in 2016 and 2015 amounted to P18.4 million and nil, respectively (see Note 21).

C. The Parent Company's management agreement with POMS was renewed on September 1, 2010 for another five years until August 31, 2015. The terms of the agreement provide for the payment of a monthly management fee equivalent to 5% of ATI's consolidated income before income tax of the immediately preceding month. On August 20, 2015, the Parent Company's management decided to renew its contract with POMS for another five years until August 31, 2020.

D. Amount owed by DP World Asia Holdings Limited-Regional Operating Headquarters pertains to reimbursements for expenses paid by the Group.

Category/ Transaction	Ref	Year	Amount of the Transaction	Outstanding Balance Due from Related Parties	Due to Related Parties	Terms	Conditions
			(In Thousands)				
Associate							
▪ Management income	*A*	**2016**	**P9,184**	**P1,642**	**P -**	**Payable on demand**	**Unsecured; no impairment**
		2015	7,260	984	-	Payable on demand	Unsecured; no impairment
Post Employment Benefit Plan							
▪ Retirement fund	*B*	**2016**	**47,504**	**8,970**	-	**Payable on demand**	**Unsecured; no impairment**
		2015	34,736	15,434	-	Payable on demand	Unsecured; no impairment
Others							
▪ Management fees	*C*	**2016**	**112,965**	-	**9,115**	**Payable within ten (10) days of the following month**	**Unsecured**
		2015	105,230	-	8,676	Payable within ten (10) days of the following month	Unsecured
▪ Advances	*D*	**2016**	**2,792**	**509**	-	**Payable on demand**	**Unsecured; no impairment**
		2015	2,389	342	-	Payable on demand	Unsecured; no impairment
TOTAL		**2016**		**P11,121**	**P9,115**		
TOTAL		2015		P16,760	P8,676		

The compensation and benefits of key management personnel are as follows:

	2016	2015
	(In Thousands)	
Short-term employee benefits	**P170,903**	P172,066
Post-employment benefits	**12,160**	10,570
	P183,063	P182,636

21. Pensions

The Group's latest actuarial valuation reports are dated December 31, 2016. Valuations are obtained on a periodic basis. The following tables summarize the components of pension expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated statements of financial position for the plans of ATI and ATIB:

Pension Expense

	ATI			ATIB		
	2016	2015	2014	**2016**	2015	2014
			(In Thousands)			
Current service cost	**P41,983**	P39,501	P34,873	**P3,241**	P2,736	P2,043
Interest cost on defined benefit obligation	**28,808**	26,022	24,781	**2,012**	1,765	1,857
Interest income on plan assets	**(21,288)**	(20,909)	(22,710)	**(1,579)**	(1,388)	(1,455)
Net pension expense	**P49,503**	P44,614	P36,944	**P3,674**	P3,113	P2,445

Current service cost is included in "Costs and expenses" in the consolidated statements of income. Interest cost on defined benefit obligation and interest income on plan assets are included in "Finance cost" account in the consolidated statements of income (see Note 19).

Pension Liability as at December 31

	ATI		ATIB	
	2016	2015	**2016**	2015
		(In Thousands)		
Present value of pension obligations	**(P553,235)**	(P603,253)	**(P31,330)**	(P40,609)
Fair value of plan assets	**411,724**	423,663	**28,984**	29,606
Pension liability	**(P141,511)**	(P179,590)	**(P2,346)**	(P11,003)

Changes in the Present Value of Pension Obligations

	ATI		ATIB	
	2016	2015	**2016**	2015
		(In Thousands)		
Present value of pension obligations at beginning of year	**P603,253**	P573,183	**P40,609**	P39,247
Current service cost	**41,983**	39,501	**3,241**	2,736
Interest cost	**28,808**	26,022	**2,012**	1,765
Benefits paid	**(39,148)**	(30,226)	**(858)**	(56)
Actuarial gain	**(81,661)**	(5,227)	**(13,674)**	(3,083)
Present value of pension obligations at end of year	**P553,235**	P603,253	**P31,330**	P40,609

Changes in the Fair Value of Plan Assets

	ATI		ATIB	
	2016	2015	**2016**	2015
	(In Thousands)			
Fair value of plan assets at beginning of year	**P423,663**	P460,559	**P29,606**	P30,042
Actual return on plan assets:				
Interest income	**21,288**	20,909	**1,579**	1,388
Actual contributions	**17,106**	-	**1,282**	-
Remeasurement loss on plan assets	**(11,185)**	(27,579)	**(2,625)**	(1,768)
Benefits paid	**(39,148)**	(30,226)	**(858)**	(56)
Fair value of plan assets at end of year	**P411,724**	P423,663	**P28,984**	P29,606

The components of retirement benefits recognized in other comprehensive income are as follows:

	ATI			ATIB		
	2016	2015	2014	**2016**	2015	2014
	(In Thousands)					
Actuarial gain (loss) due to:						
Changes in financial assumptions	**P63,446**	P24,692	(P19,680)	**P5,360**	P2,067	(P1,554)
Changes in demographic assumptions	**24,308**	-	-	**4,513**	-	-
Experience adjustment	**(6,093)**	(19,465)	11,467	**3,801**	1,016	2,989
Remeasurement loss on plan assets	**(11,185)**	(27,579)	(9,625)	**(2,625)**	(1,768)	(63)
	P70,476	(P22,352)	(P17,838)	**P11,049**	P1,315	P1,372

The cumulative amount of actuarial gains recognized in the consolidated statements of changes in equity is P15.3 million as at December 31, 2016. The cumulative amount of actuarial losses recognized in the consolidated statements of changes in equity is P66.2 million as at December 31, 2015.

Plan Assets

The plan entitles a retired regular or full-time employee to receive a lump sum amount equivalent to one (1) month salary for every year of credited service. Period of service shall be reckoned from date of hire to date of retirement, death, permanent disability, or severance.

This defined benefit plan exposes the Group to actuarial risks, such as interest rate risk and market (investment) risk.

Contributions will be made at the start of each year based on the funding requirements and recommendations indicated in the latest actuarial valuation reports.

The Group's plan assets consist of the following:

	ATI		ATIB	
	2016	2015	**2016**	2015
	(In Thousands)			
Cash and cash equivalents	**P79,628**	P77,318	**P3,722**	P8,590
Investment in UITF	**4,968**	5,343	**360**	408
Equity instruments	**61,345**	62,384	**4,145**	4,363
Investment in government securities	**254,312**	273,587	**19,770**	15,654
Debt instruments	**7,728**	2,294	**713**	363
Other receivables	**3,743**	2,737	**274**	228
	P411,724	P423,663	**P28,984**	P29,606

All equity instruments and government securities have quoted prices in active markets.

All government securities are issued by the Philippine government and are rated Baa3 by Moody's or BBB by Standard & Poor's.

The principal assumptions used in determining pension benefit obligations for the Group's plans are shown below:

	ATI		ATIB	
	2016	2015	**2016**	2015
Discount rate at end of year	**5.3%**	5.0%	**5.4%**	5.0%
Salary increase rate	**3.0%-5.0%**	4.0%-6.0%	**5.0%**	6.0%

Assumptions for mortality rate are based on the 1994 GAM Basic Table.

The weighted average duration of defined benefit obligation is as follows:

	ATI		ATIB	
	2016	2015	**2016**	2015
Average expected future service years	**13**	13	**13**	15

Maturity analysis of the benefit payments:

	2016	
	Expected Benefit Payments	
	(In Thousands)	
	ATI	**ATIB**
Within 1 Year	**P52,379**	**P577**
Within 1 - 5 Years	**199,240**	**9,972**
More than 5 Years	**2,041,800**	**159,957**

	2015	
	Expected Benefit Payments	
	(In Thousands)	
	ATI	ATIB
Within 1 Year	P44,899	P1,217
Within 1 - 5 Years	250,479	12,294
More than 5 Years	2,298,163	271,196

Sensitivity Analysis
As at December 31, 2016, the reasonably possible changes to the relevant actuarial assumptions holding other assumptions constant, would have affected the defined benefit obligation by the amounts below:

	ATI		ATIB	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount rate	P510,242	P602,868	P28,234	P34,957
Salary increase rate	605,597	507,126	35,092	28,068

The Group expects to pay P66.8 million in contributions to defined benefit plans in 2017.

22. Earnings Per Share (EPS) Attributable to Equity Holders of the Parent Company

Basic EPS is computed as follows:

	2016	2015	2014
(a) Net income attributable to Equity Holders of the Parent Company (in thousands)	**P1,902,391**	P1,764,167	P1,899,055
(b) Weighted average number of common shares outstanding (in thousands)	**2,000,000**	2,000,000	2,000,000
Basic/diluted EPS attributable to Equity Holders of the Parent Company (a/b)	**P0.95**	P0.88	P0.95

The Parent Company does not have potential common shares or other instruments that may entitle the holder to common shares. Hence, diluted EPS is the same as basic EPS.

23. Commitments and Contingencies

Agreements within the Scope of Philippine Interpretation IFRIC 12, *Service Concession Arrangements*

a. The Parent Company is authorized by the PPA to render cargo handling services at the South Harbor until May 2013. On October 19, 2007, the cargo handling services contract was extended until May 2038 under the terms mutually agreed upon with the PPA.

   i. In accordance with the Investment Plan which was revised in December 2014 pursuant to the Third Supplement to the Cargo Handling Contract, the Parent Company has committed to invest US$385.7 million from 2010 to 2028, for the rehabilitation, development and expansion of the South Harbor facilities. The commitment is dependent on container volume. The Investment Plan is subject to joint review every two (2) years, or as often as necessary as mutually agreed, to ensure that the same conforms to actual growth levels, taking into account introduction of new technologies and allowing the Parent Company the opportunity of a fair return on investment.

ii. Government Share

- For storage operations, the Parent Company shall pay an annual fixed government share of P55 million payable quarterly and a government share of 30% of its annual gross storage revenue in excess of P273 million.

- For international containerized cargo operations, the Parent Company shall pay a quarterly fixed government share of US$1.15 million plus variable government share amounting to 8% of its total gross revenues, or 20% of its total quarterly gross revenues, whichever is higher, until May 2013. After May 2013, the Parent Company shall pay quarterly fixed government share of US$2.25 million plus a variable government share amounting to 20% of its total gross revenues.

- For general cargo operations, the Parent Company shall remit government share amounting to 20% of its total gross revenues collected from arrastre services and 14% of its total gross revenues collected from stevedoring services for general cargoes.

- For domestic terminal operations, the Parent Company shall remit government share amounting to 10% of its total gross revenues derived from its domestic cargo handling and passenger terminal operations.

b. The Parent Company is authorized by the PPA to render cargo handling services at the Container Terminal "A-1," Phase 2 at the Port of Batangas for 25 years starting July 1, 2010. For arrastre operations, the Parent Company shall pay an annual fixed government share of US$2.26 million for the first 2 years, US$4.68 million for the 3rd year, US$5.08 million for the 4th-7th year, and US$5.33 million for the 8th-25th year. The Parent Company shall also remit annual variable government share based on committed yearly percentage share multiplied by whichever is higher of the projected gross income in the bid proposal or actual gross income.

c. ATI and ATIB are authorized by the PPA to render cargo handling and passenger services, supply base operations, porterage services, berth management, parking services, passenger terminal retail outlets, weighbridge or weighing operations, water supply services, vehicle booking system, security services, and leasing/sub-leasing of areas and facilities in the Port of Batangas Phase 1 from October 1, 2015 until September 30, 2025. For these operations, ATI and ATIB shall pay a fixed government share amount of P112.7 million for the first 3 years, which shall escalate by 5% and 4% on the 4th and 5th years and 3% for the remaining 5 years. In addition, ATI and ATIB shall remit annual volume-triggered government share of 10% and 20% for domestic cargoes and passenger terminal fees and for foreign cargoes, respectively, once defined threshold volumes are met.

Agreements outside the Scope of Philippine Interpretation IFRIC 12, *Service Concession Arrangements*

d. The Parent Company has a 5-year lease agreement with PPA effective April 3, 2012 covering a land adjacent to the CFS area of the Container Terminal "A-1" with a monthly lease rental of P0.4 million, subject to a yearly escalation of 5%.

As at December 31, the Parent Company has outstanding commitments for future minimum lease payments under the above operating lease, which fall due as follows:

	2016	2015
	(In Thousands)	
Within one year	**P1,459**	P5,766
After one year but not more than five years	**-**	1,459
	P1,459	P7,225

e. The Parent Company has a 25-year lease agreement until April 2021 covering the land in Calamba, Laguna to be used exclusively as an Inland Container Depot for which the Parent Company pays an annual rental of P10.7 million, subject to an escalation of 7% once every two years. The future minimum rentals payable under operating leases as at December 31 are as follows:

	2016	2015
	(In Thousands)	
Within one year	**P13,330**	P13,330
After one year but not more than five years	**59,888**	57,670
After more than five years	**-**	15,548
	P73,218	P86,548

f. The Parent Company has a 5-year lease contract commencing on February 1, 2011 over two parcels of land located in Sta. Mesa, City of Manila with a monthly lease rental of P0.4 million, subject to an escalation of 7% once every two years. This land is being exclusively used as an off-dock container depot.

The future minimum rentals payable under operating lease as at December 31 are as follows:

	2016	2015
	(In Thousands)	
Within one year	**P -**	P458
After one year but not more than five years	**-**	-
	P -	P458

g. The Parent Company has a 2.5-year lease agreement until February 28, 2017, covering the land in Lawa, Calamba, to be used exclusively for warehousing and logistics purposes with a monthly lease rental of P2.8 million.

As at December 31, the Parent Company has outstanding commitments for future minimum lease payments under the above operating lease, which fall due as follows:

	2016	2015
	(In Thousands)	
Within one year	**P5,500**	P33,000
After one year but not more than five years	**-**	16,500
	P5,500	P49,500

h. The Group has contingent liabilities for lawsuits and various other matters occurring in the ordinary course of business. On the basis of information furnished by its legal counsel, management believes that none of these contingencies will materially affect the Group's financial position and financial performance.

24. Financial Risk and Capital Management Objectives and Policies

The Group has various financial assets and liabilities such as cash and cash equivalents, trade and other receivables, deposits, trade and other payables, and port concession rights payable which arise directly from its operations. The main purpose of these financial instruments is to raise financing for the Group's capital expenditures and operations. Other financial instruments include AFS financial assets.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk. The BOD reviews and agrees on policies for managing each of these risks.

Interest Rate Risk
The Group's interest rate risk management policy centers on reducing the Group's overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's cash and cash equivalents.

As at December 31, 2016 and 2015, the interest rate profile of the Group's interest bearing financial instrument is as follows:

	2016	2015
	(In Thousands)	
Fixed Rate Instruments		
Cash and cash equivalents	**P5,880,613**	P4,116,282

Fair Value Sensitivity Analysis for Fixed Rate Instruments
The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore, a change in interest rates at the reporting date would not affect profit or loss.

Liquidity Risk
The Group monitors its risk of shortage of funds using a liquidity planning tool. This tool considers the maturity of both the Group's financial investments and financial assets and projected cash flows from operations, among others. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

As at December 31, 2016	Carrying Amount	Contractual Cash Flows On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	> 5 Years	Total
				(In Thousands)			
Trade and other payables	P2,000,359	P761,222	P425,565	P813,572	P -	P -	P2,000,359
Port concession rights payable	8,985,869	-	194,019	582,056	3,962,327	9,986,285	14,724,687
Total	P10,986,228	P761,222	P619,584	P1,395,628	P3,962,327	P9,986,285	P16,725,046

As at December 31, 2015	Carrying Amount	Contractual Cash Flows On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	> 5 Years	Total
				(In Thousands)			
Trade and other payables	P1,414,259	P827,114	P239,675	P347,470	P -	P -	P1,414,259
Port concession rights payable	8,740,717	-	192,590	577,769	3,937,768	10,786,919	15,495,046
Total	P10,154,976	P827,114	P432,265	P925,239	P3,937,768	P10,786,919	P16,909,305

Credit Risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. A regular/annual review and evaluation of accounts is being executed to assess the credit standing of customers. In addition, a portion of revenues is on cash basis.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash in bank and cash equivalents, trade receivables, deposits and AFS financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Since the Group trades only with recognized third parties, there is no requirement for collateral.

Financial information on the Group's maximum exposure to credit risk as at December 31, 2016 and 2015, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	Note	**2016**	2015
			(In Thousands)
Cash and cash equivalents	*6*	**P5,880,613**	P4,116,282
Trade and other receivables - net	*7*	**426,466**	352,386
Deposits	*12*	**34,958**	32,886
AFS financial assets	*12*	**2,652**	2,652
		P6,344,689	P4,504,206

There are no significant concentrations of credit risk within the Group. Of the total trade and other receivables which are neither past due nor impaired, 100% are of high grade quality instruments because there was no history of default on the agreed terms of the contract.

Foreign Currency Risk

The Group has foreign currency financial assets and liabilities arising from US dollar denominated revenues, lease payments, government share, and other foreign currency-denominated purchases by operating units.

The Group's policy is to manage its foreign currency risk by using a combination of natural hedges and selling foreign currencies at spot rates where necessary to address short-term imbalances.

As part of its foreign currency risk strategy, commencing July 1, 2014, the Group hedges the spot exchange risk on the highly probable forecast US dollar revenue transactions using a non-derivative financial instrument, port concession rights payable, which is denominated in US dollar. The financial liability creates an exposure to the functional currency which offsets the foreign currency exposure on the highly probable US dollar revenue stream. This type of hedging relationship is designated as cash flow hedge.

The Group has assessed that 80% of the US dollar denominated stevedoring revenue for the designated period is highly probable. However, the Group has designated 67% of the monthly US dollar revenue as the hedged item for the next three years from the date of designation i.e., July 1, 2014.

The Group uses the port concession rights payable as a hedging instrument to hedge the spot exchange risk in the highly probable forecast transactions.

The Group's foreign currency-denominated accounts as at December 31 are as follows:

	2016	2015
	(In Thousands)	
Assets		
Cash and cash equivalents	**US$307**	US$1,790
Trade and other receivables	**122**	142
	429	1,932
Liabilities		
Trade and other payables	**1,235**	2,219
Port concession rights payable	**149,341**	152,203
	150,576	154,422
Net foreign currency-denominated liabilities	**(US$150,147)**	(US$152,490)
Peso equivalent	**(P7,465,309)**	(P7,176,179)

The exchange rates applicable for US dollar as at December 31, 2016 and 2015 are P49.72 and P47.06, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's income before income tax and equity.

Increase (Decrease) in U.S. dollar Exchange Rate		Effect on Income Before Income Tax	Effect on Equity
		(In Thousands, Except Percentages)	
2016			
	+5%	**(P373,265)**	**(P261,286)**
	-5%	**373,265**	**261,286**
2015			
	+5%	(P358,809)	(P251,166)
	-5%	358,809	251,166

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group considers capital to include capital stock, additional paid-in capital, retained earnings, fair value reserve and hedging reserve. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust its capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes from prior year.

The Group is not subject to externally imposed capital requirements.

The table below shows the capital structure of the Group as at December 31:

	Note	**2016**	2015
	16	*(In Thousands)*	
Capital stock		**P2,000,000**	P2,000,000
Additional paid-in capital		**264,300**	264,300
Retained earnings		**9,910,095**	8,770,700
Hedging reserve		**(415,403)**	(286,578)
Fair value reserve		**(5,820)**	(5,820)
Total		**P11,753,172**	P10,742,602

25. Financial Instruments

The table below presents a comparison by category of carrying amounts and estimated fair values of all the Group's financial instruments as at December 31, 2016 and 2015.

		2016		2015	
	Note	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
		(In Thousands)			
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	*6*	**P5,881,207**	**P5,881,207**	P4,118,761	P4,118,761
Trade and other receivables - net	*7*	**426,466**	**426,466**	352,386	352,386
Deposits	*12*	**34,958**	**41,426**	32,886	40,679
		6,342,631	**6,349,099**	4,504,033	4,511,826
AFS financial assets	*12*	**2,652**	**2,652**	2,652	2,652
		P6,345,283	**P6,351,751**	P4,506,685	P4,514,478
Financial Liabilities					
Other financial liabilities:					
Trade and other payables	*14*	**P2,000,359**	**P2,000,359**	P1,414,259	P1,414,259
Port concession rights payable		**8,985,869**	**10,416,292**	8,740,717	10,416,690
		P10,986,228	**P12,416,651**	P10,154,976	P11,830,949

Fair Value of Financial Instruments
The fair values of cash and cash equivalents, trade and other receivables and trade and other payables are approximately equal to their carrying amounts due to their relatively short-term nature.

Nonderivative Financial Instruments
Quoted market prices have been used to determine the fair values of listed AFS financial assets. The fair values of unquoted AFS financial assets are not reliably determinable.

For noninterest-bearing deposits, the fair value is estimated as the present value of all future cash flows discounted using the prevailing market rate on interest for a similar instrument. The discount rates used are 4.7% in 2016 and 4.1% in 2015.

The fair value of port concession rights payable was estimated at the present value of all future cash flows discounted using the applicable rates for similar types of loans ranging from 4.80% to 5.52% in 2016 and 4.14% to 5.45% in 2015.

Fair Value Hierarchy
The table below presents the fair value hierarchy of the Group's financial instruments:

As at December 31, 2016	***Note***	**Level 1**	**Level 2**	**Level 3**
			(In Thousands)	
AFS financial assets	*12*	**P933**	**P -**	**P1,719**
Port concession rights payable		-	**10,416,292**	-
		P933	**P10,416,292**	**P1,719**

As at December 31, 2015	*Note*	Level 1	Level 2	Level 3
			(In Thousands)	
AFS financial assets	*12*	P933	P -	P1,719
Port concession rights payable		-	10,416,690	-
		P933	P10,416,690	P1,719

There have been no transfers from one level to another in 2016 and 2015.

KPMG

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Stockholders and Board of Directors
Asian Terminals, Inc. and a Subsidiary
A. Bonifacio Drive
Port Area, Manila

We have audited in accordance with Philippine Standards on Auditing, the accompanying consolidated financial statements of Asian Terminals, Inc. (the "Company") and a Subsidiary (collectively known as the "Group") as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, included in this Form 17-A, and have issued our report thereon dated February 20, 2017.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management.

- Map of the Conglomerate
- Schedule of Philippine Financial Reporting Standards
- Supplementary Schedules of Annex 68-E

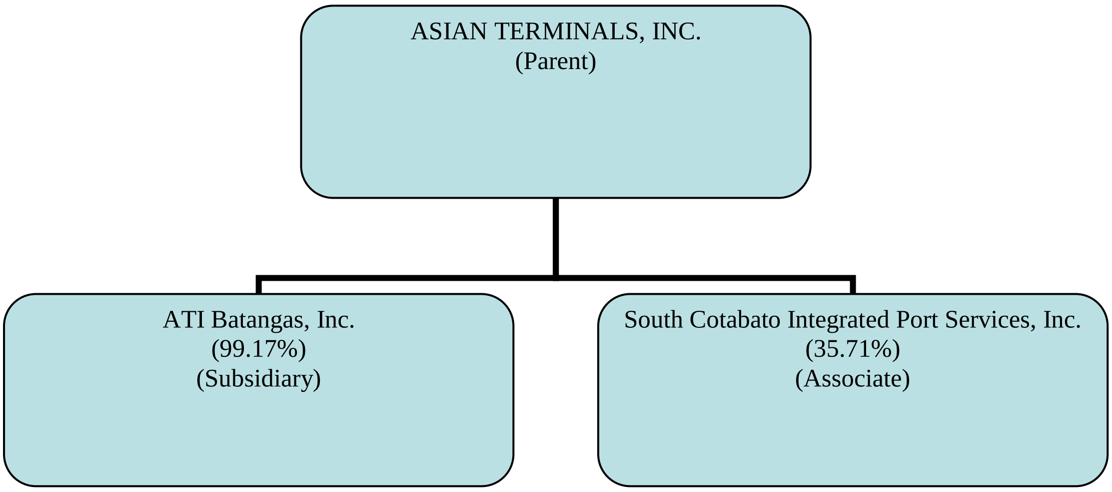
This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

ENRICO E. BALUYUT
Partner
CPA License No. 065537
SEC Accreditation No. 1177-AR-1, Group A, valid until April 30, 2018
Tax Identification No. 131-029-752
BIR Accreditation No. 08-001987-26-2014
Issued September 26, 2014; valid until September 25, 2017
PTR No. 5904918MD
Issued January 3, 2017 at Makati City

February 20, 2017
Makati City, Metro Manila

Asian Terminals, Inc.
Map of Conglomerate
December 31, 2016



ASIAN TERMINALS, INC. AND A SUBSIDIARY

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Deletion of short-term exemptions for first-time adopters		✓	
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of 'vesting condition'			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions		✓	
PFRS 3 (Revised)	Business Combinations			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: 'Continuing involvement' for servicing contracts			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements			✓
PFRS 8	Operating Segments	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments			✓
PFRS 9	Financial Instruments		✓	
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39		✓	
PFRS 9 (2014)	Financial Instruments		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Clarification of the scope of the standard		✓	
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓	
PFRS 16	Leases		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative		✓	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Measuring an associate or joint venture at fair value		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information "elsewhere in the interim financial report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)			✓
	Amendments to PAS 40: Transfers of Investment Property		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*	✓		
IFRIC 12	Service Concession Arrangements	✓		
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.	✓		
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-01-Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01-Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan			✓
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position	✓		
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations			✓
PIC Q&A 2011-03	Accounting for Inter-company Loans			✓
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares			✓
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination?			✓
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PIC Q&A 2013-03 (Revised)	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✓
PIC Q&A 2015-01	Conforming Changes to PIC Q&As - Cycle 2015			✓
PIC Q&A 2016-01	Conforming Changes to PIC Q&As - Cycle 2016			✓
PIC Q&A 2016-02	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity			✓
PIC Q&A 2016-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts		✓	

Legend:

***Adopted** - means a particular standard or interpretation is relevant to the operations of the entity (even if it has no effect or no material effect on the financial statements), for which there may be a related particular accounting policy made in the financial statements and/or there are current transactions the amounts or balances of which are disclosed on the face or in the notes of the financial statements.*

***Not Adopted** - means a particular standard or interpretation is effective but the entity did not adopt it due to either of these two reasons: 1) The entity has deviated or departed from the requirements of such standard or interpretation; or 2) The standard provides for an option to early adopt it but the entity decided otherwise.*

***Not Applicable** - means the standard or interpretation is not relevant at all to the operations of the entity.*

ASIAN TERMINALS, INC. AND A SUBSIDIARY

Schedule A. Financial Assets
December 31, 2016
(in thousands)

Financial Assets	Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
Cash and cash equivalents	N/A	N/A	₱5,881,207	₱5,881,207	₱60,438
Trade and other receivables - net	N/A	N/A	426,466	426,466	-
Deposits	N/A	N/A	34,958	41,426	-
AFS Investments					
Quoted Equity Shares		N/A	933	933	-
Unquoted Equity Shares		N/A	1,719	1,719	-
			₱6,345,283	₱6,351,751	₱60,438

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2016
(in thousands)

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts written-off	Current	Not Current	Balance at end of period
Officers	₱27,781	₱15,464	(₱22,268)	₱0	₱0	₱0	₱20,977
Related Parties	1,326	12,071	(11,246)	0	0	0	2,151
	₱29,108	₱27,536	(₱33,514)	₱0	₱0	₱0	₱23,128

Schedule C. Amounts Receivable from (Payable to) Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2016
(in thousands)

Name and Designation of creditor	Balance at beginning of period	Additions	Amounts Paid	Amounts written-off	Current	Not Current	Balance at end of period
ATI Batangas, Inc.	₱9,960	₱54,728	(₱80,254)	₱0	₱0	₱0	(₱15,565)
	₱9,960	₱54,728	(₱80,254)	₱0	₱0	₱0	(₱15,565)

Schedule D. Intangible Assets - Other Assets
December 31, 2016
(in thousands)

Description	Beginning balance	Additions at costs	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Please refer to Note 11 of the Consolidated Financial Statements						

Schedule E. Long-term Debt
December 31, 2016
(in thousands)

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
Not Applicable			

Schedule F. Indebtedness to Related Parties
December 31, 2016
(in thousands)

Name of Issuing entity and association of each issue	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period
P&O Management Services Phils., Inc. (Management entity)	₱9,115	₱9,115

Schedule G. Guarantees of Securities of Other Issuers
December 31, 2016
(in thousands)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
Not Applicable				

Schedule H. Capital Stock
December 31, 2016
(in thousands)

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers, and employees	Others
Common shares	4,000,000	2,000,000	None	637,838	15,593	1,346,569

KPMG

R.G. Manabat & Co.
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6787 Ayala Avenue, Makati City
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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Stockholders and Board of Directors
Asian Terminals, Inc.
A. Bonifacio Drive
Port Area, Manila

We have audited in accordance with Philippine Standards on Auditing, the separate financial statements of Asian Terminals, Inc. (the "Company") as at December 31, 2016 and 2015 and for the years then ended, and have issued our report thereon dated February 20, 2017.

Our audit was made for the purpose of forming an opinion on the separate financial statements of the Company taken as a whole. The supplementary information in the Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management.

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the separate financial statements. Such information has been subjected to the auditing procedures applied in the audit of the separate financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the separate financial statements taken as a whole.

R.G. MANABAT & CO.

ENRICO E. BALUYUT
Partner
CPA License No. 065537
SEC Accreditation No. 1177-AR-1, Group A, valid until April 30, 2018
Tax Identification No. 131-029-752
BIR Accreditation No. 08-001987-26-2014
Issued September 26, 2014; valid until September 25, 2017
PTR No. 5904918MD
Issued January 3, 2017 at Makati City

February 20, 2017
Makati City, Metro Manila

ASIAN TERMINALS, INC.
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
AS OF DECEMBER 31, 2016

Unappropriated Retained Earnings, ***as adjusted to available for dividend distribution, beginning***		**P3,256,855,950**
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings	1,625,428,115	
Add (deduct): Non-actual losses (gains)		
Actuarial gain, net of tax	(49,333,399)	
Fair value loss on cash flow hedge, net of tax	128,824,498	**1,704,919,214**
Less: Dividend declarations during the period		**820,000,000**
Total Retained Earnings, end Available for divided declaration		**P4,141,775,164**

COVER SHEET
For
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 3 3 6 5 3

COMPANY NAME

A S I A N T E R M I N A L S , I N C .

PRINCIPAL OFFICE **(No. / Street / Barangay / City / Town / Province)**

A . B o n i f a c i o D r i v e

P o r t A r e a , M a n i l a

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A P C F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
asianterminals.com.ph	528-6000	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
854	4th Thursday of April	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jose Tristan D. Carpio	JoseC@asianterminals.com.ph	528-6000	

CONTACT PERSON's ADDRESS

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

ASIAN TERMINALS, INC.

SEPARATE FINANCIAL STATEMENTS
December 31, 2016 and 2015

ASIAN TERMINALS INCORPORATED
ISO 28000, ISO 14001 & OHSAS 18001 certified
Delivering reliable and consistent services

Asian Terminals Inc. Head Office
A. Bonifacio Drive, Port Area, Manila
1018 Philippines
P.O. Box 3021, Manila, Philippines
Tel. No. (+632) 528-6000
Fax (+632) 527-2467

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of ASIAN TERMINALS, INC. (the "Company") is responsible for the preparation and fair presentation of the separate financial statements including the schedules attached therein, as at December 31, 2016 and 2015 and for the years then ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the separate financial statements including the schedules attached therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditors appointed by the stockholders, has audited the separate financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

RASHED ALI HASSAN ABDULLA
Chairman of the Board

EUSEBIO H. TANCO
President

JOSE TRISTAN P. CARPIO
Chief Financial Officer

Signed this _____ of 20 FEB 2017

SUBSCRIBED AND SWORN TO before me this 20 day FEB 2017, the signatories exhibiting to me their respective Passports/Driver's License Nos., as follows:

Name	Passport Nos.	Date/Place Issued
1. Rashed Ali Hassan Abdulla	LY6118219	2/15/15; Dubai
2. Eusebio H. Tanco	EC2037045	9/4/14; Manila
3. Jose Tristan P. Carpio	EC2215520	9/26/14; Manila

Notary Public

Doc. No. 273
Page No. 75
Book No. X;
Series of 2017.

ATTY. JOSELYN BONNIE V. VALEROS
NOTARY PUBLIC, ROLL NO. 54515
PTR No. 5021026 Issued on Dec 27, 2016 Until Dec 31 2017
IBP Life No 723963 Issued on Aug 21, 2007
Commission No 2016-009 Issued on April 06, 2016 Until Dec. 31 2017
MCLE No V-0022298 Issued on June 14 2016 Valid until April 14 2019
Office Add: Imperial Bayfront Tower, 1642 A. Mabini, Manila

KPMG

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Asian Terminals, Inc.
A. Bonifacio Drive
Port Area, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Asian Terminals, Inc. (the "Company"), which comprise the separate statements of financial position as at December 31, 2016 and 2015, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2016 and 2015, and its unconsolidated financial performance and its unconsolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Date APR 10 2017

ELMER B. TANAY

KPMG

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Date APR 10 2017

ELMER B. TANAY

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 25 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic separate financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditors' report is Enrico E. Baluyut.

R.G. MANABAT & CO.

ENRICO E. BALUYUT
Partner
CPA License No. 065537
SEC Accreditation No. 1177-AR-1, Group A, valid until April 30, 2018
Tax Identification No. 131-029-752
BIR Accreditation No. 08-001987-26-2014
Issued September 26, 2014; valid until September 25, 2017
PTR No. 5904918MD
Issued January 3, 2017 at Makati City

February 20, 2017
Makati City, Metro Manila

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 10 2017
ELMER R. TANAY

SATELLITE
APR 11 2017

ASIAN TERMINALS, INC.
SEPARATE STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	Note	December 31 2016	2015
ASSETS			
Current Assets			
Cash and cash equivalents	6, 24	**P4,652,738**	P3,205,381
Trade and other receivables - net	7, 20, 24	**375,804**	324,435
Spare parts and supplies		**313,751**	260,200
Prepaid expenses	8	**454,291**	491,799
Total Current Assets		**5,796,584**	4,281,815
Noncurrent Assets			
Investments in a subsidiary and an associate	9	**161,939**	161,719
Property and equipment - net	10	**420,867**	416,438
Intangible assets - net	11	**13,832,203**	13,978,277
Deferred tax assets - net	13	**709,424**	558,011
Other noncurrent assets	12	**60,997**	59,145
Total Noncurrent Assets		**15,185,430**	15,173,590
		P20,982,014	P19,455,405
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	14, 20, 24	**P1,858,143**	P1,278,938
Provisions for claims	15	**42,644**	45,564
Port concession rights payable - current portion	24	**174,364**	149,766
Income and other taxes payable		**167,112**	165,889
Total Current Liabilities		**2,242,263**	1,640,157
Noncurrent Liabilities			
Port concession rights payable - net of current portion	24	**7,946,523**	7,709,877
Pension liability	21	**141,511**	179,590
Total Noncurrent Liabilities		**8,088,034**	7,889,467
		10,330,297	9,529,624
Equity	16		
Capital stock		**2,000,000**	2,000,000
Additional paid-in capital		**264,300**	264,300
Retained earnings		**8,808,640**	7,953,879
Hedging reserve		**(415,403)**	(286,578)
Fair value reserve		**(5,820)**	(5,820)
Total Equity		**10,651,717**	9,925,781
		P20,982,014	P19,455,405

See Notes to the Separate Financial Statements.

Date APR 10 2017

ELMER B. TANAY

ASIAN TERMINALS, INC.
SEPARATE STATEMENTS OF INCOME
(Amounts in Thousands)

		Years Ended December 31	
	Note	**2016**	2015
REVENUES FROM OPERATIONS	*2*	**P8,296,986**	P7,332,382
GOVERNMENT SHARE IN REVENUES	*17*	**(1,663,475)**	(1,355,022)
		6,633,511	5,977,360
COSTS AND EXPENSES EXCLUDING GOVERNMENT SHARE IN REVENUES	*18, 20, 21*	**(3,890,621)**	(3,389,031)
OTHER INCOME AND EXPENSES	*19*		
Finance cost		**(528,417)**	(534,741)
Finance income		**46,761**	39,066
Others - net		**(7,786)**	35,674
		(489,442)	(460,001)
CONSTRUCTION REVENUES	*11*	**810,929**	664,250
CONSTRUCTION COSTS	*11*	**(810,929)**	(664,250)
		-	-
INCOME BEFORE INCOME TAX		**2,253,448**	2,128,328
INCOME TAX EXPENSE	*13*		
Current		**745,366**	685,274
Deferred		**(117,346)**	(92,282)
		628,020	592,992
NET INCOME		**P1,625,428**	P1,535,336

See Notes to the Separate Financial Statements.

ASIAN TERMINALS, INC.
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

		Years Ended December 31	
	Note	**2016**	2015
NET INCOME FOR THE YEAR		**P1,625,428**	P1,535,336
OTHER COMPREHENSIVE INCOME			
Item that will never be reclassified to profit or loss			
Actuarial gains (losses) on pension liability	*21*	**70,476**	(22,352)
Tax on item taken directly to equity	*13*	**(21,143)**	6,706
		49,333	(15,646)
Items that are or may be reclassified to profit or loss			
Cash flow hedge - effective portion		**(384,327)**	(346,583)
Cash flow hedge - reclassified to profit or loss		**200,292**	89,811
Tax on items taken directly to equity	*13*	**55,210**	77,032
	16	**(128,825)**	(179,740)
OTHER COMPREHENSIVE INCOME FOR THE YEAR - Net of tax		**(79,492)**	(195,386)
TOTAL COMPREHENSIVE INCOME		**P1,545,936**	P1,339,950

See Notes to the Separate Financial Statements.

ASIAN TERMINALS, INC.

SEPARATE STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands, Except Per Share Data)

Years Ended December 31

	Note	Capital Stock	Additional Paid-in Capital	Retained Earnings: Appropriated for Port Development	Retained Earnings: Unappropriated	Hedging Reserve	Fair value Reserve	Total
Balance at January 1, 2016		P2,000,000	P264,300	P6,100,000	P1,853,879	(P286,578)	(P5,820)	P9,925,781
Cash dividends - P0.41 a share	16	-	-	-	(820,000)	-	-	(820,000)
Reversal of appropriation of retained earnings	16	-	-	(800,000)	800,000	-	-	-
Appropriations during the year	16	-	-	2,600,000	(2,600,000)	-	-	-
Net income for the year		-	-	-	1,625,428	-	-	1,625,428
Other comprehensive income								
Actuarial loss - net of tax		-	-	-	49,333	-	-	49,333
Cash flow hedge - effective portion - net of tax	16	-	-	-	-	(269,029)	-	(269,029)
Cash flow hedge - reclassified to profit and loss - net of tax	16	-	-	-	-	140,204	-	140,204
Balance at December 31, 2016		P2,000,000	P264,300	P7,900,000	P908,640	(P415,403)	(P5,820)	P10,651,717
Balance at January 1, 2015		P2,000,000	P264,300	P4,700,000	P2,554,189	(P106,838)	(P5,820)	P9,405,831
Cash dividends - P0.41 a share	16	-	-	-	(820,000)	-	-	(820,000)
Reversal of appropriation of retained earnings	16	-	-	(2,600,000)	2,600,000	-	-	-
Appropriations during the year	16	-	-	4,000,000	(4,000,000)	-	-	-
Net income for the year		-	-	-	1,535,336	-	-	1,535,336
Other comprehensive income								
Actuarial loss - net of tax		-	-	-	(15,646)	-	-	(15,646)
Cash flow hedge - effective portion - net of tax	16	-	-	-	-	(242,608)	-	(242,608)
Cash flow hedge - reclassified to profit and loss - net of tax	16	-	-	-	-	62,868	-	62,868
Balance at December 31, 2015		P2,000,000	P264,300	P6,100,000	P1,853,879	(P286,578)	(P5,820)	P9,925,781

See Notes to the Separate Financial Statements.

ASIAN TERMINALS, INC.
SEPARATE STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

		Years Ended December 31	
	Note	**2016**	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P2,253,449**	P2,128,328
Adjustments for:			
Depreciation and amortization	*10, 11*	**1,025,253**	910,309
Finance cost	*19*	**528,417**	534,741
Finance income	*19*	**(46,761)**	(39,066)
Contributions to retirement fund	*21*	**(17,106)**	-
Net unrealized foreign exchange losses		**210,264**	98,833
Dividend income from a subsidiary and an associate	*19*	**(115,273)**	(113,948)
Loss (gain) on disposals of:			
Property and equipment	*10*	**(220)**	(718)
Intangible assets	*11*	**(3,557)**	1,031
Loss on retirement of:			
Property and equipment	*10*	**69**	448
Intangible assets	*11*	**144**	-
Amortization of noncurrent prepaid rental		**984**	984
Reversal of allowance for doubtful accounts - net	*7*	**(5,000)**	-
Operating income before working capital changes		**3,830,663**	3,520,942
Decrease (increase) in:			
Trade and other receivables		**(46,942)**	147,833
Spare parts and supplies		**(53,551)**	(67,789)
Prepaid expenses		**37,508**	(60,370)
Increase (decrease) in:			
Trade and other payables		**623,449**	(419,853)
Provisions for claims		**(2,920)**	(778)
Income and other taxes payable		**(5,426)**	6,363
Cash generated from operations		**4,382,761**	3,126,348
Finance income received		**45,779**	36,500
Finance cost paid		**(128)**	(127)
Income tax paid		**(738,719)**	(720,255)
Net cash provided by operating activities		**3,689,693**	2,442,466
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Intangible assets	*11*	**(810,929)**	(664,250)
Property and equipment	*10*	**(76,462)**	(95,079)
Dividends received	*19*	**115,273**	113,948
Decrease in other noncurrent assets		**(765)**	10,062
Proceeds from disposals of:			
Property and equipment	*10*	**1,175**	718
Intangible assets	*11*	**6,172**	2,507
Increase in deposits		**(516)**	(437)
Net cash used in investing activities		**(766,052)**	(632,531)

Forward

	Note	Years Ended December 31 2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividends	*16*	**(P820,000)**	(P820,000)
Purchase of shares of subsidiary		**(219)**	(1,734)
Port concession rights payable		**(657,658)**	(657,658)
Net cash used in financing activities		**(1,477,877)**	(1,479,392)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,445,764**	330,543
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**1,593**	670
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*6*	**3,205,381**	2,874,168
CASH AND CASH EQUIVALENTS AT END OF YEAR	*6*	**P4,652,738**	P3,205,381

See Notes to the Separate Financial Statements.

ASIAN TERMINALS, INC.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

(Amounts in Thousands, Except Per Share Data)

1. Reporting Entity

Asian Terminals, Inc. (ATI or the "Company") was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on July 9, 1986. The Company is a public company under Section 17.2 of the Securities Regulation Code and its shares are listed on the Philippine Stock Exchange, Inc. (PSE). The Company operates and manages the South Harbor Port of Manila and Container Terminal "A-1," Phase II of the Port of Batangas in Batangas City. The registered office address of the Company is A. Bonifacio Drive, Port Area, Manila.

P & O Management Services Phils. Inc. (POMS) manages ATI by virtue of a management agreement (see Note 20). Forty percent of the outstanding capital stock of POMS is owned by DP World Australia (POAL) Limited. POAL directly owns 17.32% of the total outstanding capital stock of ATI.

2. Operating Contracts

Following are the Company's operating contracts:

a. South Harbor, Port of Manila

   ATI's exclusive right to manage, operate and develop South Harbor was renewed for a period of 25 years from May 19, 2013 to May 18, 2038 pursuant to the Third Supplement to the Contract for Cargo Handling and Related Services with the Philippine Ports Authority (PPA) dated October 19, 2007.

b. Port of Batangas

   On January 18, 2010, the PPA issued to ATI the Notice to Award the Contract for the Management, Operation, Maintenance, Development and Promotion of the Container Terminal "A-1," Phase II of the Port of Batangas for a period of 25 years. The Contract was signed on March 25, 2010. The Notice to Proceed dated June 16, 2010 allowed ATI to start and commence operations at the Terminal on July 1, 2010.

3. Basis of Preparation

<u>Statement of Compliance</u>

The separate financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations, issued by the Financial Reporting Standards Council (FRSC).

The separate financial statements were authorized for issue by the Board of Directors (BOD) on February 20, 2017.

The Company also prepares and issues financial statements for the same period as the separate financial statements prepared and presented in compliance with PFRS. Said consolidated financial statements may be obtained from the SEC.

Basis of Measurement
The separate financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date:

- available-for-sale (AFS) financial assets measured at fair value; and

- pension liability measured at the fair value of plan asset less the present value of the defined benefit obligation.

Functional and Presentation Currency
The separate financial statements are presented in Philippine peso, which is the Company's functional currency. All amounts have been rounded off to the nearest thousand pesos (P000), except when otherwise indicated.

4. Significant Accounting Policies

The Company has consistently applied the accounting policies to all periods presented in these separate financial statements.

The Company has adopted amendments to standards and interpretations, including any consequential amendments to other standards, with date of initial application of January 1, 2016.

Adoption of New or Revised Standards, Amendments to Standards and Interpretation
The adoption of the following amendments to standards did not have any significant impact on the Company's separate financial statements.

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16 and PAS 38).* The amendments to PAS 38, *Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated,' or when the intangible asset is expressed as a measure of revenue.

  The amendments to PAS 16, *Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g. changes in sales volumes and prices.

- *Equity Method in Separate Financial Statements (Amendments to PAS 27).* The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries.

  The Company continues to use cost method in accounting for its investment in subsidiary and associate.

- *Annual Improvements to PFRSs 2012 - 2014 Cycle.* This cycle of improvements contains amendments to four standards, none of which are expected to have significant impact on the Company's separate financial statements.

- *Disclosure of information "elsewhere in the interim financial report" (Amendment to PAS 34).* PAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report" - i.e., incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g., management commentary or risk report). The interim financial report is incomplete if the interim financial statements and any disclosure incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.

- *Disclosure Initiative (Amendments to PAS 1)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:

  - Information should not be obscured by aggregating or by providing immaterial information.

  - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.

  - The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

  - An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

Standards Issued but Not Yet Adopted
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2016. However, the Company has not applied the following new or amended standards in preparing these separate financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's separate financial statements.

Effective January 1, 2017

- *Disclosure initiative (Amendments to PAS 7).* The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g., by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

  The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. When an entity first applies the amendments, it is not required to provide comparative information for preceding periods.

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12).* The amendments clarify that:

  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;

  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;

  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

  The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2017. Early adoption is permitted. On initial application, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If an entity applies the relief, it shall disclose that fact.

Effective January 1, 2018

- PFRS 9, *Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

  The Company is assessing the potential impact on its separate financial statements resulting from the application of PFRS 9.

- PFRS 15, *Revenue from Contracts with Customers* replaces PAS 11, *Construction Contracts*, PAS 18 *Revenue* and related Philippine Interpretations. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Effective January 1, 2019

- *PFRS 16 Leases* supersedes PAS 17 *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

  PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of PFRS 16.

  The Company is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date.

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28)*. The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

  The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date of these amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Financial Assets and Financial Liabilities

Date of Recognition. The Company recognizes a financial asset or a financial liability in the separate statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those classified as financial assets at fair value through profit or loss (FVPL), includes transaction costs.

Financial assets are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and AFS financial assets. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities. The Company determines the classification of financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

The Company does not have HTM investments and financial assets and liabilities at FVPL.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables shall be recognized as part of "Finance income" in the separate statements of income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of "Finance income" account in the separate statement of income. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

The Company's cash and cash equivalents, trade and other receivables and deposits are included in this category (see Notes 6, 7, 12 and 24).

The combined carrying amounts of financial assets under this category amounted to P5.1 billion and P3.6 billion as at December 31, 2016 and 2015, respectively (see Note 24).

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income and presented in the "Fair value reserve" in equity. Dividends earned on holding AFS equity securities are recognized as dividend income when the right to receive payment has been established. When individual AFS financial assets are either derecognized or impaired, the related accumulated unrealized gains or losses previously reported in equity are transferred to and recognized in profit or loss.

AFS financial assets also include unquoted equity instruments with fair values which cannot be reliably determined. These instruments are carried at cost less impairment in value, if any.

The Company's investments in quoted and unquoted shares are included under "Other noncurrent assets" account classified under this category (see Note 12). The carrying amounts of financial assets under this category amounted to P2.7 million as at December 31, 2016 and 2015 (see Note 24).

Financial Liabilities

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

Included in this category are the Company's trade and other payables and port concession rights payable (see Notes 14 and 24).

The combined carrying amounts of financial liabilities under this category amounted to P10.0 billion and P9.1 billion as at December 31, 2016 and 2015, respectively (see Note 24).

Determination of Fair Values. The fair value financial instruments not listed in an active market is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation methods.

Measurement of Fair Values. A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy, described as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at reporting date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input that is significant to the entire measurement.

Fair values of financial instruments are discussed in Note 24 to the separate financial statements.

'Day 1' Profit. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss. In cases where no observable data are used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit amount.

<u>Derecognition of Financial Assets and Liabilities</u>
Financial Assets. A financial asset (or, where applicable a part of a financial asset or part of a Company of financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired; or

- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred the control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

<u>Impairment of Financial Assets</u>
The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Assets Carried at Amortized Cost. For assets carried at amortized cost such as loans and receivables, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Company includes the asset as part of a group of financial assets pooled according to their credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower.

For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The impairment loss for the period shall be recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Assets Carried at Cost. If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS Financial Assets. If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in profit or loss is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss. Reversals of impairment losses on debt instruments are recognized in profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the separate statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the separate statements of financial position.

Spare Parts and Supplies
Spare parts and supplies are stated at the lower of cost and net realizable value (selling price less cost to complete and sell). Cost is determined using the weighted average method and includes all expenditures incurred in acquiring and bringing them to their existing location and condition.

Investments in a Subsidiary and an Associate
The Company's investments in a subsidiary and an associate are accounted for under the cost method. A subsidiary is an entity in which the Company has control. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture of the Company. The investments in a subsidiary and an associate are carried in the separate statements of financial position at cost less allowance for impairment losses, if any.

The Company has the following investments as at December 31, 2016 and 2015:

	Percentage of Ownership
Subsidiary:	
ATI Batangas, Inc. (ATIB)	99.17%
Associate:	
South Cotabato Integrated Ports Services, Inc. (SCIPSI)	35.71%

ATIB and SCIPSI are incorporated in the Philippines.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization and any accumulated impairment. Such cost includes the cost of replacing part of such property and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing.

The initial cost of property and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes interest incurred during the construction period on funds borrowed to finance the construction of the projects. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the items can be measured reliably.

Port facilities and equipment include spare parts that the Company expects to use for more than one year. These are not depreciated until ready for its intended use. However, these are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the spare parts may not be recoverable.

Construction in progress represents structures under construction and is stated at cost. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property and equipment are capitalized during the construction period. Construction in progress is not depreciated until such time that the relevant assets are substantially completed and ready for its intended use.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Port facilities and equipment	2 - 25 years or life of the operating contract, whichever is shorter
Leasehold improvements	2 - 40 years or term of the lease, whichever is shorter
Furniture, fixtures and equipment	5 years
Transportation and other equipment	4 - 5 years

The remaining useful lives, residual values, depreciation and amortization method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization are recognized in profit or loss.

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising on the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period of retirement or disposal.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized using the straight-line method over the period covered by the contract or useful life, whichever is shorter. The amortization period and the amortization method are reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are treated as changes in accounting estimates. The amortization expense is recognized in profit or loss in the expense category consistent with the function of the intangible asset. Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss and measured as the difference between the net disposal proceeds and the carrying amount of the asset.

Port Concession Rights
The Company recognizes port concession rights as intangible assets arising from a service concession arrangement in which the grantor controls or regulates the services provided and the prices charged, and also controls any significant residual interests in the infrastructure at the end of the term of the arrangement, such as property and equipment, if the infrastructure is existing infrastructure of the grantor or the infrastructure is constructed or purchased by the Company as part of the service concession arrangement.

Port concession rights consist of:

a. Upfront fees payments on the concession contracts;

b. The cost of port infrastructure constructed and port equipment purchased, which are not recognized as property and equipment of the Company but as intangible asset; and

c. Future fixed government share considerations in exchange for license or right. Fixed government shares are recognized at present value using the discount rate at the inception date with a corresponding liability recognized. Interest on the unwinding of discount of the liability and foreign exchange differences arising from translations are recognized in profit or loss.

Port concession rights are determined as intangible assets with finite useful lives and are amortized using the straight-line method over the concession period or useful life, whichever is shorter. The amortization period and the amortization method are reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are treated as changes in accounting estimates. The amortization expense is recognized in profit or loss in the expense category consistent with the function of the intangible asset. Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss and measured as the difference between the net disposal proceeds and the carrying amount of the asset.

Port concession rights are amortized using the straight-line method over the term of service concession arrangements or useful life ranging from 2 to 25 years.

Impairment of Non-financial Assets

The carrying amounts of investments in a subsidiary and an associate, property and equipment and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Provisions

Provisions are recognized when the Company has: (a) a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and those risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Share Capital

Capital Stock

Capital stock is classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Additional Paid-in Capital
The amount of contribution in excess of par value is accounted for as "Additional paid-in capital." Additional paid-in capital also arises from additional capital contributions from the shareholders.

Retained Earnings and Dividend Distribution
Retained earnings include current and prior years' results, net of transactions with shareholders and dividends declared, if any.

Dividend distribution to the Company's shareholders is recognized as a liability, and deducted from equity in the Company's separate statements of financial position in the period in which the dividends are approved and declared by the Company's BOD.

Retained earnings may also include prior year adjustments and the effect of changes in accounting policies as may be required by the standards.

Revenue, Cost and Expense Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, net of discounts, rebates and applicable taxes. The following are specific recognition policies of the Company:

- Revenues from cargo handling operations are recognized when services are rendered.

- Passenger terminal fees are recognized upon sale of terminal tickets.

- Finance income is recognized on a time proportion basis that reflects the effective yield on the investment.

- Other income is recognized when earned.

Construction Revenues and Costs
The Company recognizes revenue related to construction and upgrade of services under service concession arrangement based on the stage of completion of work performed in accordance with PAS 11, *Construction Contracts*. When the construction or upgrade services are provided or delivered under concession arrangement accounted within the scope of IFRIC 12, the consideration is measured at the fair value of the construction services provided. No margin has been recognized since the fair value of the construction services provided approximates the construction cost.

Cost and Expense Recognition
Costs and expenses are recognized upon receipt of goods, utilization of services or at the date they are incurred.

Borrowing Costs
Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. The capitalization of borrowing costs: (a) commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are being incurred; (b) is suspended during extended periods in which active development, improvement and construction of the assets are interrupted; and (c) ceases when substantially all the activities necessary to prepare the assets are complete. These costs are amortized using the straight-line method over the estimated useful lives of the related property, plant and equipment to which it is capitalized.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss in the period in which these are incurred using the effective interest method.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specific asset; and

(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Operating Lease
Company as Lessee. Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Employee Benefits

a. *Short-term Employee Benefits*
   Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present, legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

b. *Pensions*

ATI and ATIB have funded, defined benefit pension plans, administered by a common pension trustee, covering their permanent employees. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets out of which the obligation is to be settled directly. The value of any plan asset recognized is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Foreign Currency Transactions

The separate financial statements are presented in Philippine peso, which is the Company's functional currency. Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. All differences are taken to profit or loss. Foreign currency gains and losses are reported on a net basis.

Cash Flow Hedge of a Forecast Transaction using a Non-derivative Instrument

The port concession rights payable i.e. hedging instrument is a non-derivative monetary item. A non-derivative financial instrument is permitted to be used as a hedging instrument only for hedges of foreign currency risk. The effective portion of the foreign exchange gains and losses on the hedging instrument is recognized in other comprehensive income. Any ineffective portion is recognized in profit or loss.

The spot movement of the port concession rights payable that is recognized in other comprehensive income is reclassified to profit or loss when the hedged item i.e. the highly probable forecast revenue transaction affects profit or loss. Since the impact of the hedged risk on profit or loss arising from the highly probable forecast transaction is expected to impact the profit or loss account over future periods, the amount recognized in the hedging reserve will remain in other comprehensive income until the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, terminated or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

Taxes

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates (tax laws) enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred Tax. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in a domestic subsidiary and an associate.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (tax laws) that have been enacted or substantively enacted by the end of the reporting period.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value Added Tax (VAT). Revenue, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the sale tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with amount of VAT included.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of receivables or payables in the separate statements of financial position.

Operating Segments
The Company's operating businesses are organized and managed separately according to the lines of business: port and non-port, with each segment representing a strategic business unit that serves different markets. Management reviews segment reports on a regular basis.

The Company has a single reportable operating segment as its business has been mainly on port operations since 2010.

The Company operates only in the Philippines which is treated as a single geographical segment.

Segment capital expenditure is the total cost incurred during the year to acquire property and equipment and intangible assets.

Contingencies
Contingent liabilities are not recognized in the separate financial statements. They are disclosed in the notes to the separate financial statements unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are not recognized in the separate financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Reporting Date
Post year-end events that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's separate financial statements in accordance with PFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and amounts of assets, liabilities, income and expenses reported in the separate financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future periods affected.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the separate financial statements:

Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Parent Company and its subsidiary has been determined to be the Philippine peso. It is the currency that mainly influences the price and cost of providing services.

Operating Lease. The Company has entered into various lease agreements as a lessee. The Company had determined that significant risks and rewards for properties leased from third parties are retained by the lessors.

Rent expense charged to separate statements of income amounted to P111.6 million and P75.1 million in 2016, and 2015, respectively (see Note 18).

Estimates and Assumptions
The key estimates and assumptions used in the separate financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the separate financial statements. Actual results could differ from such estimates.

Hedging of Highly Probable Forecast Transaction using a Non-derivative Instrument. Estimates and assumptions are required on the determination of the Company's highly probable dollar denominated stevedoring revenue to determine the Company's exposure on spot rate changes that will be hedged using a non-derivative financial instrument which is the Company port concession rights payable which is denominated in US Dollars. On the inception of the hedge the management is required to develop a highly probable revenue forecast using the Company's budgeted stevedoring revenues which are adjusted based on the actual to budget historical deviation rate. The Company believes that, while the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the separate financial statements.

6. Cash and Cash Equivalents

	2016	2015
	(In Thousands)	
Cash on hand and in banks	**P192,952**	P249,726
Short-term investments	**4,459,786**	2,955,655
	P4,652,738	P3,205,381

Cash in banks earns interest at floating rates based on daily bank deposit rates. Short-term investments are made for varying periods of between one (1) and sixty (60) days depending on the cash requirements of the Company, and earn interest at the prevailing short-term deposit rates (see Note 19).

7. Trade and Other Receivables

	Note	2016	2015
		(In Thousands)	
Trade receivables		**P341,709**	P256,649
Advances to officers and employees		**20,394**	27,677
Receivable from escrow fund		**13,174**	13,174
Due from related parties	20	**10,597**	26,168
Interest receivable		**2,932**	3,505
Receivable from insurance		**149**	6,012
Other receivables		**4,501**	13,902
		393,456	347,087
Allowance for impairment losses		**(17,652)**	(22,652)
		P375,804	P324,435

Trade and other receivables are noninterest-bearing and generally have a credit term of thirty (30) days.

Movements in the allowance for impairment losses on trade and other receivables are as follows:

	Individually Impaired	Collectively Impaired	Total
		(In Thousands)	
Balance at January 1, 2015	P9,246	P13,406	P22,652
Provisions during the year	8,206	-	8,206
Reversals during the year	-	(8,206)	(8,206)
Balance at December 31, 2015	17,452	5,200	22,652
Provisions during the year	-	7,552	7,552
Reversals during the year	(12,552)	-	(12,552)
Balance at December 31, 2016	**P4,900**	**P12,752**	**P17,652**

As at December 31, 2016 and 2015, the aging analysis of trade and other receivables is as follows:

2016

		Neither Past Due nor	Past Due but not Impaired				Past Due and
	Total	**Impaired**	**<30 Days**	**30-60 Days**	**61-90 Days**	**Over 90 Days**	**Impaired**
				(In Thousands)			
Trade receivables	**P341,709**	**P331,537**	**P1,493**	**P -**	**P -**	**P -**	**P8,679**
Other receivables	**51,747**	**10,238**	**6,169**	**961**	**1,400**	**24,006**	**8,973**
	P393,456	**P341,775**	**P7,662**	**P961**	**P1,400**	**P24,006**	**P17,652**

2015

		Neither Past Due nor	Past Due but not Impaired				Past Due and
	Total	Impaired	<30 Days	30-60 Days	61-90 Days	Over 90 Days	Impaired
				(In Thousands)			
Trade receivables	P256,649	P246,519	P4,676	P -	P -	P -	P5,454
Other receivables	90,438	19,604	389	2,518	4,570	46,159	17,198
	P347,087	P266,123	P5,065	P2,518	P4,570	P46,159	P22,652

8. Prepaid Expenses

	Note	2016	2015
		(In Thousands)	
Taxes		**P390,669**	P389,901
Insurance		**38,172**	42,593
Rental	*12*	**13,276**	43,351
Others		**12,174**	15,954
		P454,291	P491,799

Taxes pertain to the Company's input VAT credits.

9. Investments in a Subsidiary and an Associate

	2016	2015
	(In Thousands)	
At cost:		
Subsidiary - ATIB	**P150,717**	P150,497
Associate - SCIPSI	**11,222**	11,222
	P161,939	P161,719

The following table illustrates summarized financial information of ATIB:

	2016	2015
	(In Thousands)	
Current assets	**P1,308,611**	P965,164
Noncurrent assets	**928,568**	996,901
Total assets	**P2,237,179**	P1,962,065
Current liabilities	**P259,971**	P227,326
Noncurrent liabilities	**804,214**	847,147
Total liabilities	**P1,064,185**	P1,074,473
Revenues	**P957,305**	P824,697
Expenses	**609,638**	517,629
Net income	**P347,667**	P307,068

ATIB's exclusive right to manage and render arrastre, stevedoring, storage and related cargo handling services at the Port of Batangas by ATIB for Phase I was renewed on October 20, 2005 for a period of 10 years until 2015, renewable for another 10 years upon mutual agreement of PPA and ATIB. The contract with the PPA includes cargo handling and operation and management of the passenger terminals.

On October 2, 2015, ATIB signed a Contract for the Management, Operation, Maintenance and Development of Phase I, Port of Batangas with a term of October 1, 2015 until September 30, 2025.

The following table shows the summarized financial information of SCIPSI:

	2016*	2015*
	(In Thousands)	
Current assets	**P116,503**	P117,882
Noncurrent assets	**53,669**	41,631
Total assets	**P170,172**	P159,513
Current liabilities	**P35,187**	P31,783
Noncurrent liabilities	**3,891**	3,842
Total liabilities	**P39,078**	P35,625
Revenues	**P314,666**	P273,706
Expenses	**182,583**	165,216
Net income	**P132,083**	P108,490

** Based on unaudited financial statements*

The Company has a 35.71% interest in SCIPSI, which is engaged in arrastre, stevedoring and other related cargo handling services, except porterage, in Makar Wharf, General Santos City, Philippines.

ATIB and SCIPSI are not listed in any public exchange.

10. Property and Equipment

The balances and movements in this account are as follows:

2016

	Port Facilities and Equipment	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation and Other Equipment	Construction In-progress	Total
			(In Thousands)			
Cost						
Balance at beginning of year	P37,971	P515,454	P353,661	P139,762	P32,202	P1,079,050
Additions	94	-	42,084	20,501	13,783	76,462
Disposals	-	-	(15,455)	(8,286)	-	(23,741)
Reclassifications	66,544	-	22,462	-	(31,992)	57,014
Retirements	(195)	(852)	(6,707)	(316)	-	(8,070)
Balance at end of year	104,414	514,602	396,045	151,661	13,993	1,180,715
Accumulated Depreciation and Amortization						
Balance at beginning of year	36,552	327,851	212,081	86,128	-	662,612
Additions	1,051	11,010	42,511	16,987	-	71,559
Disposals	-	-	(15,455)	(7,331)	-	(22,786)
Reclassifications	56,464	-	-	-	-	56,464
Retirements	(195)	(852)	(6,638)	(316)	-	(8,001)
Balance at end of year	93,872	338,009	232,499	95,468	-	759,848
Carrying amount	P10,542	P176,593	P163,546	P56,193	P13,993	P420,867

2015

	Port Facilities and Equipment	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation and Other Equipment	Construction In-progress	Total
			(In Thousands)			
Cost						
Balance at beginning of year	P38,267	P514,843	P331,166	P130,279	P55,116	P1,069,671
Additions	-	611	38,899	17,731	37,838	95,079
Disposals	-	-	(13,875)	(8,949)	-	(22,824)
Reclassifications	(296)	-	19,751	1,401	(60,752)	(39,896)
Retirements	-	-	(22,280)	(700)	-	(22,980)
Balance at end of year	37,971	515,454	353,661	139,762	32,202	1,079,050
Accumulated Depreciation and Amortization						
Balance at beginning of year	35,671	316,814	221,753	79,127	-	653,365
Additions	881	11,037	28,750	16,273	-	56,941
Disposals	-	-	(13,875)	(8,949)	-	(22,824)
Reclassifications	-	-	(2,338)	-	-	(2,338)
Retirements	-	-	(22,209)	(323)	-	(22,532)
Balance at end of year	36,552	327,851	212,081	86,128	-	662,612
Carrying amount	P1,419	P187,603	P141,580	P53,634	P32,202	P416,438

The Company modified classification of property and equipment amounting to P39.9 million to intangible assets as these were identified as part of the concession arrangements with the Grantor in 2015 (see Note 11).

11. Intangible Assets

The balances and movements in this account are as follows:

2016

	Port Concession Rights			
	Upfront Fees	Fixed Fees	Port Infrastructure	Total
		(In Thousands)		
Cost				
Balance at beginning of year	P282,000	P8,342,270	P12,394,135	P21,018,405
Additions	-	-	810,929	810,929
Disposals	-	-	(186,722)	(186,722)
Reclassifications	-	-	(57,014)	(57,014)
Retirements	-	-	(3,244)	(3,244)
Balance at end of year	282,000	8,342,270	12,958,084	21,582,354
Accumulated Depreciation and Amortization				
Balance at beginning of year	29,534	1,989,550	5,021,044	7,040,128
Additions	11,280	292,853	649,561	953,694
Disposals	-	-	(184,107)	(184,107)
Reclassifications	-	-	(56,464)	(56,464)
Retirements	-	-	(3,100)	(3,100)
Balance at end of year	40,814	2,282,403	5,426,934	7,750,151
Carrying Amount	P241,186	P6,059,867	P7,531,150	P13,832,203

2015

	Port Concession Rights			
	Upfront Fees	Fixed Fees	Port Infrastructure	Total
	(In Thousands)			
Cost				
Balance at beginning of year	P282,000	P8,342,270	P11,830,833	P20,455,103
Additions	-	-	664,250	664,250
Disposals	-	-	(140,666)	(140,666)
Reclassifications	-	-	39,896	39,896
Retirements	-	-	(178)	(178)
Balance at end of year	282,000	8,342,270	12,394,135	21,018,405
Accumulated Depreciation and Amortization				
Balance at beginning of year	18,254	1,696,697	4,606,777	6,321,728
Additions	11,280	292,853	549,235	853,368
Disposals	-	-	(137,128)	(137,128)
Reclassifications	-	-	2,338	2,338
Retirements	-	-	(178)	(178)
Balance at end of year	29,534	1,989,550	5,021,044	7,040,128
Carrying Amount	P252,466	P6,352,720	P7,373,091	P13,978,277

No borrowing costs were capitalized in 2016 and 2015. The unamortized capitalized borrowing costs as at December 31, 2016 and 2015 amounted to P83.3 million and P88.2 million, respectively.

12. Other Noncurrent Assets

	Note	**2016**	2015
		(In Thousands)	
Deposits	*24*	**P34,958**	P32,886
Taxes		**20,106**	19,341
Rental		**3,281**	4,266
AFS financial assets	*24*	**2,652**	2,652
		P60,997	P59,145

Deposits mainly represent payments related to property leases and utilities. This account includes noninterest-bearing rental deposits on a lease agreement that was carried at fair value as of initial recognition determined based on the present value of future cash flows discounted using effective interest rate of 3.70%. The carrying amounts of these deposits at amortized cost amounted to P10.8 million and P9.3 million as at December 31, 2016 and 2015, respectively. The difference between the original amount of noninterest-bearing rental deposits and their present values at "Day 1" qualified for recognition as prepaid rental. The prepaid rental (included in current and noncurrent prepayment) amounted to P4.3 million and P5.3 million as at December 31, 2016 and 2015, respectively.

Taxes pertain to noncurrent portion of the value-added input tax on capital goods exceeding P1 million.

The current portion of such prepaid rental, presented under "Prepaid expenses - rental" account amounted to P13.3 million and P43.4 million as at December 31, 2016 and 2015 (see Note 8).

AFS financial assets consist of investments in quoted and unquoted shares.

13. Income Tax

A reconciliation between the statutory tax rate and the effective tax rate on income before income tax follows:

	2016	2015
Statutory income tax rate	**30.00%**	30.00%
Changes in income tax rate resulting from:		
Interest income subjected to final tax	**(0.60)**	(0.53)
Dividend income from a subsidiary and an associate	**(1.53)**	(1.61)
Effective income tax rate	**27.87%**	27.86%

The movements in deferred tax balances are as follows:

					December 31		
2016	***Note***	**Net Balance at January 1**	**Recognized In Profit or Loss**	**Recognized In OCI**	**Deferred Tax Assets**	**Deferred Tax Liabilities**	**Net**
Port concession rights payable related to fixed government share		**P272,816**	**P46,789**	**P -**	**P319,605**	**P -**	**P319,605**
Cash flow hedge		**122,819**	**-**	**55,210**	**178,029**	**-**	**178,029**
Unrealized foreign exchange loss - net		**96,245**	**63,280**	**-**	**159,525**	**-**	**159,525**
Pension liability	*21*	**55,040**	**8,713**	**(21,143)**	**42,610**	**-**	**42,610**
Provisions for claims		**13,670**	**(876)**	**-**	**12,794**	**-**	**12,794**
Excess of cost over net realizable value of spare parts and supplies		**11,469**	**-**	**-**	**11,469**	**-**	**11,469**
Impairment losses on receivables	*7*	**6,795**	**(1,500)**	**-**	**5,295**	**-**	**5,295**
Accrued operating lease		**5,617**	**(646)**	**-**	**4,971**	**-**	**4,971**
Rental deposit	*8, 12*	**2,006**	**(171)**	**-**	**1,835**	**-**	**1,835**
Unamortized capitalized borrowing costs and custom duties		**(28,466)**	**1,757**	**-**	**-**	**(26,709)**	**(26,709)**
Net tax assets (liabilities)		**P558,011**	**P117,346**	**P34,067**	**P736,133**	**(P26,709)**	**P709,424**

					December 31		
2015	*Note*	Net Balance at January 1	Recognized In Profit or Loss	Recognized In OCI	Deferred Tax Assets	Deferred Tax Liabilities	Net
Port concession rights payable related to fixed government share		P223,407	P49,409	P -	P272,816	P -	P272,816
Cash flow hedge		45,787	-	77,032	122,819	-	122,819
Unrealized foreign exchange loss - net		67,831	28,414	-	96,245	-	96,245
Pension liability	*21*	35,954	12,380	6,706	55,040	-	55,040
Provisions for claims		13,903	(233)	-	13,670	-	13,670
Excess of cost over net realizable value of spare parts and supplies		11,469	-	-	11,469	-	11,469
Impairment losses on receivables	*7*	6,795	-	-	6,795	-	6,795
Accrued operating lease		5,063	554	-	5,617	-	5,617
Rental deposit	*8, 12*	2,110	(104)	-	2,006	-	2,006
Unamortized capitalized borrowing costs and custom duties		(30,328)	1,862	-	-	(28,466)	(28,466)
Net tax assets (liabilities)		P381,991	P92,282	P83,738	P586,477	(P28,466)	P558,011

Net deferred tax assets have been recognized because management believes that the Company will earn sufficient future taxable profits against which it can utilize the benefits therefrom.

14. Trade and Other Payables

	Note	2016	2015
		(In Thousands)	
Trade		**P98,764**	P99,642
Accrued expenses:			
Marketing, commercial and promotion		**261,910**	54,033
Professional fees		**151,687**	9,562
Finance costs		**131,476**	133,718
Personnel costs		**127,717**	129,547
Repairs and maintenance		**81,135**	38,093
Corporate social responsibility		**36,642**	29,976
Trucking expense		**28,083**	4,163
Rental	22	**20,470**	28,386
Utilities		**8,483**	7,352
Security expenses		**8,191**	9,850
Safety and environment		**1,850**	572
Miscellaneous accrued expenses		**93,392**	56,398
Due to government agencies	22	**528,781**	384,862
Equipment acquisitions		**110,381**	157,560
Shippers' and brokers' deposits		**76,233**	76,411
Due to related parties	20	**24,680**	8,676
Other payables		**68,268**	50,137
		P1,858,143	P1,278,938

Following are the terms and conditions of the above liabilities:

- Trade payables are noninterest-bearing and are normally settled on 30 to 60-day terms.
- Accrued finance costs are normally settled quarterly and semi-annually throughout the financial year.
- Other payables are non interest-bearing and are normally settled within twelve months from inception date.

15. Provisions for Claims

	2016	2015
	(In Thousands)	
Balance at beginning of year	**P45,564**	P46,342
Provisions during the year	**5,217**	3,836
Payments during the year	**(8,137)**	(4,614)
Balance at end of year	**P42,644**	P45,564

Provisions relate to property, equipment and cargo damage and other claims, which were recognized in connection with services rendered during the year. It is expected that most of these provisions will be settled within the next financial year or on demand.

16. Equity

Pursuant to the registration statement rendered effective by the SEC and permit to sell issued by the SEC both dated April 7, 1995, 1 billion common shares of the Company were registered and may be offered for sale at an offer price of P5.10 per common share. On March 26, 1999, another registration statement was rendered effective by the SEC and permit to sell issued by the SEC for 1 billion common shares of the Company and may be offered for sale at an offer price of P1.00 per common share. As at December 31, 2016, the Company has a total of 2 billion issued and outstanding common shares and 845 stockholders.

Capital Stock - P1 Par Value
The Company has 2 billion issued and fully paid capital stock, from its 4 billion authorized common shares, as at December 31, 2016 and 2015.

Retained Earnings
On April 28, 2016, the BOD approved the declaration of cash dividends amounting to P820 million or P0.41 per share payable on June 15, 2016 to common shareholders of record as at May 20, 2016.

On April 23, 2015, the BOD approved the declaration of cash dividends amounting to P820 million or P0.41 per share payable on June 10, 2015 to common shareholders of record as at May 15, 2015.

On December 19, 2016, the BOD approved the reversal to the unappropriated retained earnings of the amount of P800 million out of the already approved appropriation of P6.1 billion, for capital expenditures for 2014 and 2015. Furthermore, the BOD approved an appropriation of the retained earnings amounting to P2.60 billion for capital expenditure for the next 2 years. The BOD also approved on the same date a budget amounting to P4.6 billion for capital expenditures which include yard and berth development as well as construction of new facilities and equipment acquisition for 2017. The capital expenditures will strengthen the Company's operations and capability to handle growth and will be sourced from internal funds.

Fair Value Reserve
Fair value reserve amounting to P5.8 million as at December 31, 2016 and 2015 represents unrealized loss on AFS financial assets.

Hedging Reserve
The hedging reserve includes the effective portion of the cumulative net change in the fair value of the port concession payable used as cash flow hedge against foreign currency risk.

As at December 31, 2016 and 2015, the effective fair value changes of the Company's cash flow hedge that was recognized in other comprehensive income amounted to P128.8 million and P179.7 million, net of tax, respectively.

17. Government Share in Revenues

This account consists of port authorities' share in revenues of the Company as stipulated in the agreements with port authorities where the Company operates (see Note 2). Port authorities' share in gross revenues includes variable government share amounting to P1.7 billion and P1.4 billion in 2016 and 2015 respectively (see Note 22).

18. Costs and Expenses Excluding Government Share in Revenues

	Note	2016	2015
		(In Thousands)	
Labor costs	*20, 21*	**P1,092,340**	P1,007,271
Depreciation and amortization	*10, 11*	**1,025,253**	910,309
Equipment running		**476,808**	478,303
Taxes and licenses		**243,519**	268,440
Professional fees		**168,264**	35,023
Facilities-related expenses		**137,096**	125,169
Marketing, commercial and promotion		**130,674**	32,358
Management fees	*20*	**112,965**	105,230
Rental	*22*	**111,609**	75,150
Security, health, environment and safety		**101,182**	99,143
Insurance		**62,216**	61,637
General transport		**14,894**	20,762
Entertainment, amusement and recreation		**5,655**	4,520
Others		**208,146**	165,716
		P3,890,621	P3,389,031

Labor costs include salaries, benefits and pension expense.

Spare parts and supplies used and included under equipment running amounted to P163.6 million and P141.5 million in 2016 and 2015, respectively.

19. Other Income and Expenses

Finance cost is broken down as follows:

	Note	2016	2015
		(In Thousands)	
Interest on port concession rights payable		**P520,768**	P529,502
Interest component of pension expense	*21*	**7,520**	5,113
Interest on bank loans/credit facilities		**129**	126
		P528,417	P534,741

Interest on port concession rights payable pertains to the interest on the unwinding of discount of said liability (see related policy on port concession rights in Note 4). Finance income is broken down as follows:

	Note	2016	2015
		(In Thousands)	
Interest on cash in banks and short-term investments	*6*	**P45,205**	P37,717
Accretion of rental deposits	*12*	**1,556**	1,349
		P46,761	P39,066

Others consisted of the following:

	Note	2016	2015
		(In Thousands)	
Dividend income from a subsidiary and an associate	*20*	**P115,273**	P113,948
Lease and other income - net	*20*	**76,300**	51,909
Income from insurance claims		**74,167**	354
Foreign exchange losses - cash flow hedge		**(211,856)**	(99,502)
Foreign exchange losses - port concession rights payable		**(60,277)**	(35,392)
Foreign exchange gains (losses) - others		**(1,393)**	4,357
		(P7,786)	P35,674

Foreign exchange gains (losses) - port concession rights payable resulted from revaluation of foreign currency denominated port concession rights payable.

20. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

The Company, in the normal course of business, has the following transactions with its related parties:

A. The Company has a management agreement with ATIB for a period of five years until August 30, 2017. The terms of the agreement provide for a monthly management fee calculated using a pre-agreed rate applied to ATIB's income before income tax. Management fees earned are included under lease and other income (see Note 19).

   The Company rents out cargo handling equipment to ATIB on an annual basis. Total rent income is included under lease and other income (see Note 19).

   The Company received dividend income from ATIB in 2016 and 2015.

   The Company collects certain receivables and pays certain expenses on behalf of ATIB.

B. Amount owed by SCIPSI pertains to management fees equivalent of 6% of gross revenue. Management fees earned are included under lease and other income (see Note 19). The Company also received dividend income from SCIPSI.

C. The Company has a noncontributory, defined benefit retirement plan covering all its regular employees, in the form of a trust being maintained by a trustee bank. The benefits are based on the employee's years of service and final plan salary. Contributions were made in 2016 and 2015 amounted to P17.1 million and nil, respectively.

D. The Company's management agreement with POMS was renewed on September 1, 2010 for another five years until August 31, 2015. The terms of the agreement provide for the payment of a monthly management fee equivalent to 5% of ATI's income before income tax of the immediately preceding month. On August 20, 2015, the Company's management decided to renew its contract with POMS for another five years until August 31, 2020.

E. Amount owed by DP World Asia Holdings Limited-Regional Operating Headquarters pertains to reimbursements for expenses paid by the Company.

Category/Transaction	Ref	Year	Amount of the Transaction	Outstanding Balance: Due from Related Parties	Outstanding Balance: Due to Related Parties	Terms	Conditions
			(In Thousands)				
Subsidiary							
• Management income	*A*	**2016**	**P37,425**	**P -**	**P -**	-	-
		2015	33,823	-	-	-	-
• Dividend income		**2016**	**69,420**	-	-	-	-
		2015	69,170	-	-	-	-
• Rental income		**2016**	**1,106**	-	-	-	-
		2015	1,106	-	-	-	-
• Advances		**2016**	**25,525**		**15,565**	**Payable on demand**	**Unsecured**
		2015	-	9,960	-	Payable on demand	Unsecured; no impairment
Associate							
• Management income	*B*	**2016**	**9,184**	**1,642**	-	**Payable on demand**	**Unsecured; no impairment**
		2015	7,260	984	-	Payable on demand	Unsecured; no impairment
• Dividend income		**2016**	**45,853**	-	-	-	-
		2015	44,778	-	-	-	-
Post employment Benefit Plan							
• Retirement Fund	*C*	**2016**	-	**8,446**	-	**Payable on demand**	**Unsecured; no impairment**
		2015	-	14,882	-	Payable on demand	Unsecured; no impairment
Others							
• Management fees	*D*	**2016**	**112,965**	-	**9,115**	**Payable within ten (10) days of the following month**	**Unsecured**
		2015	105,230	-	8,676	Payable within ten (10) days of the following month	Unsecured
• Advances	*E*	**2016**	**2,792**	**509**	-	**Payable on demand**	**Unsecured; no impairment**
		2015	2,389	342	-	Payable on demand	Unsecured; no impairment
TOTAL		**2016**		**P10,597**	**P24,680**		
TOTAL		2015		P26,168	P8,676		

The short-term compensation and benefits of key management personnel are as follows:

	2016	2015
	(In Thousands)	
Short-term employee benefits	**P170,903**	P172,066
Post-employment benefits	**11,826**	10,338
	P182,729	P182,404

21. Pension

The Company's latest actuarial valuation report is dated December 31, 2016. Valuations are obtained on a periodic basis. The following tables summarize the components of pension expense recognized in the separate statements of income and the funded status and amounts recognized in the separate statements of financial position.

Pension Expense

	2016	2015
	(In Thousands)	
Current service cost	**P41,983**	P39,501
Interest cost on defined benefit obligation	**28,808**	26,022
Interest income on plan asset	**(21,288)**	(20,909)
Net pension expense	**P49,503**	P44,614

Current service cost is included in "Costs and expenses excluding government share in revenues" account in the separate statements of income. Interest cost on defined benefit obligation and interest income on plan asset are included in "Finance cost" account in the separate statements of income (see Note 19).

Pension Liability as at December 31

	2016	2015
	(In Thousands)	
Present value of pension obligation	**(P553,235)**	(P603,253)
Fair value of plan asset	**411,724**	423,663
Pension liability	**(P141,511)**	(P179,590)

Changes in the Present Value of Pension Obligation

	2016	2015
	(In Thousands)	
Present value of pension obligation at beginning of year	**P603,253**	P573,183
Current service cost	**41,983**	39,501
Interest cost	**28,808**	26,022
Benefits paid	**(39,148)**	(30,226)
Actuarial gain	**(81,661)**	(5,227)
Present value of pension obligation at end of year	**P553,235**	P603,253

Changes in the Fair Value of Plan Asset

	2016	2015
	(In Thousands)	
Fair value of plan asset at beginning of year	**P423,663**	P460,559
Actual return on plan asset:		
Interest income	**21,288**	20,909
Actual contributions	**17,106**	-
Remeasurement loss on plan asset	**(11,185)**	(27,579)
Benefits paid	**(39,148)**	(30,226)
Fair value of plan asset at end of year	**P411,724**	P423,663

The components of retirement benefits recognized in other comprehensive income are as follows:

	2016	2015
	(In Thousands)	
Actuarial gain (loss) due to:		
Changes in financial assumptions	**P63,446**	P24,692
Changes in demographic assumptions	**24,308**	-
Remeasurement loss on plan assets	**(11,185)**	(27,579)
Experience adjustment	**(6,093)**	(19,465)
	P70,476	(P22,352)

The cumulative amount of actuarial gains recognized in the separate statements of changes in equity is P0.3 million as at December 31, 2016. The cumulative amount of actuarial losses recognized in the separate statements of changes in equity is P70.2 million as at December 31, 2015.

Plan Asset
The plan entitles a retired regular or full-time employee to receive a lump sum amount equivalent to one (1) month salary for every year of credited service. Period of service shall be reckoned from date of hire to date of retirement, death, permanent disability, or severance.

This defined benefit plan exposes the Company to actuarial risks, such as interest rate risk and market (investment) risk.

Contributions will be made at the start of each year based on the funding requirements and recommendations indicated in the latest actuarial valuation report.

The Company's plan asset consists of the following:

	2016	2015
	(In Thousands)	
Investment in government securities	**P254,312**	P273,587
Cash and cash equivalents	**79,628**	77,318
Equity instruments	**61,345**	62,384
Debt instruments	**7,728**	2,294
Investment in UITF	**4,968**	5,343
Other receivables	**3,743**	2,737
	P411,724	P423,663

All equity instruments and government securities have quoted price in active markets.

All government securities are issued by the Philippine government and are rated Baa3 by Moody's or BBB by Standard & Poor's.

The principal assumptions used in determining pension benefit obligation for the Company's plan are shown below:

	2016	2015
Discount rate at end of year	**5.3%**	5.0%
Salary increase rate	**3.0%-5.0%**	4.0%-6.0%

Assumptions for mortality rate are based on the 1994 GAM Basic Table.

The weighted average duration of defined benefit obligation is as follows:

	2016	2015
Average expected future service years	**13**	13

Maturity analysis of the benefit payments:

	2016
	Expected Benefit Payments
	(In Thousands)
Within 1 Year	**P52,379**
Within 1 - 5 Years	**199,240**
More than 5 Years	**2,041,800**

	2015
	Expected Benefit Payments
	(In Thousands)
Within 1 Year	P44,899
Within 1 - 5 Years	250,479
More than 5 Years	2,298,163

Sensitivity Analysis

As at December 31, 2016, the reasonably possible changes to the relevant actuarial assumptions holding other assumptions constant, would have affected the defined benefit obligation by the amounts below:

	1% Increase	**1% Decrease**
Discount rate	**P510,242**	**P602,868**
Salary increase rate	**605,597**	**507,126**

The Company expects to pay P63.3 million in contributions to the defined benefit plan in 2017.

22. Commitments and Contingencies

Agreements within the Scope of Philippine Interpretation IFRIC 12 *Service Concession Arrangements*

a. The Company is authorized by the PPA to render cargo handling services at the South Harbor until May 2013. On October 19, 2007, the cargo handling services contract was extended until May 2038 under the terms mutually agreed upon with the PPA.

   i. In accordance with the Investment Plan which was revised in December 2014 pursuant to the Third Supplement to the Cargo Handling Contract, the Company has committed to invest US$385.7 million from 2010 to 2028, for the rehabilitation, development and expansion of the South Harbor facilities. The commitment is dependent on container volume. The Investment Plan is subject to joint review every two (2) years, or as often as necessary as mutually agreed, to ensure that the same conforms to actual growth levels, taking into account introduction of new technologies and allowing the Company the opportunity of a fair return on investment.

ii. Fees to the PPA

- For storage operations, the Company shall pay an annual fixed government share of P55 million payable quarterly and a variable fee of 30% of its annual gross storage revenue in excess of P273 million.

- For international containerized cargo operations, the Company shall pay a quarterly fixed government share of US$1.15 million plus a variable fee of 8% of its total gross income, or 20% of its total quarterly gross income, whichever is higher, until May 2013. After May 2013, the Company shall pay quarterly fixed government share of US$2.25 million plus a variable government share of 20% of its total gross income.

- For general cargo operations, the Company shall remit government share amounting to 20% of its total gross income collected from arrastre services and 14% of its total gross income collected from stevedoring services for general cargoes.

- For domestic terminal operations, the Company shall remit government share 10% of its total gross income derived from its domestic cargo handling and passenger terminal operations.

b. The Company is authorized by the PPA to render cargo handling services at the Container Terminal "A-1," Phase 2 at the Port of Batangas for 25 years starting July 1, 2010. For arrastre operations, the Company shall pay an annual fixed government share of US$2.26 million for the first 2 years, US$4.68 million for the 3rd year, US$5.08 million for the 4th-7th year, and US$5.33 million for the 8th-25th year. The Company shall also remit annual variable government share based on committed yearly percentage share multiplied by whichever is higher of the projected gross income in the bid proposal or actual gross income.

Agreements outside the Scope of Philippine Interpretation IFRIC 12 *Service Concession Arrangements*

a. The Company has a 5-year lease agreement with PPA effective April 3, 2012 covering a land adjacent to the CFS area of the Container Terminal "A-1" with a monthly lease rental of P0.4 million, subject to yearly escalation of 5%.

   As at December 31, the Company has outstanding commitments for future minimum lease payments under the above operating lease, which fall due as follows:

	2016	2015
	(In Thousands)	
Within one year	**P1,459**	P5,766
After one year but not more than five years	-	1,459
	P1,459	P7,225

b. The Company has a 25-year lease agreement until April 2021 covering the land in Calamba, Laguna to be used exclusively as an Inland Container Depot for which the Company pays an annual rental of P10.7 million, subject to an escalation of 7% once every two years. The future minimum rentals payable under operating leases as at December 31 are as follows:

	2016	2015
	(In Thousands)	
Within one year	**P13,330**	P13,330
After one year but not more than five years	**59,888**	57,670
After more than five years	**-**	15,548
	P73,218	P86,548

c. The Company has a 5-year lease contract commencing on February 1, 2011 over two parcels of land located in Sta. Mesa, City of Manila with a monthly lease rental of P0.4 million, subject to an escalation of 7% once every two years. This land is being exclusively used as an off-dock container depot.

The future minimum rentals payable under operating lease as at December 31 are as follows:

	2016	2015
	(In Thousands)	
Within one year	**P -**	P458
After one year but not more than five years	**-**	-
	P -	P458

d. The Company has a 2.5-year lease agreement until February 28, 2017, covering the land in Lawa, Calamba, to be used exclusively for warehousing and logistics purposes with a monthly lease rental of P2.8 million.

As at December 31, the Company has outstanding commitments for future minimum lease payments under the above operating lease, which fall due as follows:

	2016	2015
	(In Thousands)	
Within one year	**P5,500**	P33,000
After one year but not more than five years	**-**	16,500
	P5,500	P49,500

e. The Company has contingent liabilities for lawsuits and various other matters occurring in the ordinary course of business. On the basis of information furnished by its legal counsel, management believes that none of these contingencies will materially affect the Company's financial position and financial performance.

23. Financial Risk and Capital Management Objectives and Policies

The Company has various financial assets and liabilities such as cash and cash equivalents, trade and other receivables, deposits, trade and other payables and port concession rights payable which arise directly from its operations. The main purpose of these financial instruments is to raise financing for the Company's capital expenditures and operations. Other financial instruments include AFS financial assets.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk. The BOD reviews and agrees on policies for managing each of these risks.

Interest Rate Risk
The Company's interest rate risk management policy centers on reducing the Company's overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Company's cash and cash equivalents.

As at December 31, 2016 and 2015, the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2016	2015
	(In Thousands)	
Fixed Rate Instruments		
Cash and cash equivalents	**P4,652,326**	P3,203,075

Fair Value Sensitivity Analysis for Fixed Rate Instruments
The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore, a change in interest rates at the reporting date would not affect profit or loss.

Liquidity Risk
The Company monitors its risk of shortage of funds using a liquidity planning tool. This tool considers the maturity of both the Company's financial investments and financial assets and projected cash flows from operations, among others. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

		Contractual Cash Flows					
As at December 31, 2016	Carrying Amount	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	> 5 Years	Total
				(In Thousands)			
Trade and other payables	P1,858,143	P700,443	P380,863	P776,837	P -	P -	P1,858,143
Port concession rights payable	8,120,887	-	165,844	497,531	3,345,455	9,604,240	13,613,070
Total	P9,979,030	P700,443	P546,707	P1,274,368	P3,345,455	P9,604,240	P15,471,213

As at December 31, 2015	Carrying Amount	Contractual Cash Flows On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	> 5 Years	Total
				(In Thousands)			
Trade and other payables	P1,278,938	P755,680	P197,918	P325,340	P -	P -	P1,278,938
Port concession rights payable	7,859,643	-	164,415	493,244	3,339,738	10,273,331	14,270,728
Total	P9,138,581	P755,680	P362,333	P818,584	P3,339,738	P10,273,331	P15,549,666

Credit Risk

The Company trades only with recognized and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. A regular/annual review and evaluation of accounts is being executed to assess the credit standing of customers. In addition, a portion of revenues is on cash basis.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash in bank and cash equivalents, trade receivables, deposits, and AFS financial assets, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Since the Company trades only with recognized third parties, there is no requirement for collateral.

Financial information on the Company's maximum exposure to credit risk as at December 31, 2016 and 2015, without considering the effects of other risk mitigation techniques, is presented below.

	Note	**2016**	2015
		(In Thousands)	
Cash and cash equivalents	*6*	**P4,652,326**	P3,203,075
Trade and other receivables - net	*7*	**375,804**	324,435
Deposits	*12*	**34,958**	32,886
AFS financial assets	*12*	**2,652**	2,652
		P5,065,740	P3,563,048

There are no significant concentrations of credit risk within the Company. Of the total trade and other receivables which are neither past due nor impaired, 100% are of high grade quality instruments because there was no history of default on the agreed terms of the contract.

Foreign Currency Risk

The Company has foreign currency financial assets and liabilities arising from US dollar denominated revenues, lease payments, government shares, and other foreign currency-denominated purchases by operating units.

The Company's policy is to manage its foreign currency risk by using a combination of natural hedges and selling foreign currencies at spot rates where necessary to address short-term imbalances.

As part of its foreign currency risk strategy, commencing July 1, 2014, the Company hedges the spot exchange risk on the highly probable forecast US dollar revenue transactions using a non-derivative financial instrument, port concession rights payable, which is denominated in US dollar. The financial liability creates an exposure to the functional currency which offsets the foreign currency exposure on the highly probable US dollar revenue stream. This type of hedging relationship is designated as cash flow hedge.

The Company has assessed that 80% of the US dollar denominated stevedoring revenue for the designated period is highly probable. However, the Company has designated 67% of the monthly US dollar revenue as the hedged item for the next three years from the date of designation i.e., July 1, 2014.

The Company uses the port concession rights payable as a hedging instrument to hedge the spot exchange risk in the highly probable forecast transactions.

The Company's foreign currency-denominated accounts as of December 31 are as follows:

	2016	2015
	(In Thousands)	
Assets		
Cash and cash equivalents	**US$307**	US$1,790
Liabilities		
Trade and other payables	**1,235**	2,219
Port concession rights payable	**149,341**	152,203
	150,576	154,422
Net foreign currency-denominated liabilities	**(US$150,269)**	(US$152,632)
Peso equivalent	**(P7,471,375)**	(P7,182,862)

The exchange rates applicable for US dollar as at December 31, 2016 and 2015 are P49.72 and P47.06 respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's income before income tax and equity.

Increase/Decrease in U.S. dollar Exchange Rate		Effect on Income Before Income Tax	Effect on Equity
		(In Thousands, Except Percentages)	
2016			
	+5%	**(P373,569)**	**(P261,498)**
	-5%	**373,569**	**261,498**
2015			
	+5%	(359,143)	(251,400)
	-5%	359,143	251,400

Capital Management
The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company considers capital to include capital stock, additional paid-in capital, retained earnings, fair value reserve and hedging reserve. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust its capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes from prior year.

The Company is not subject to externally imposed capital requirements.

The table below shows the capital structure of the Company as at December 31:

	Note	**2016**	2015
		(In Thousands)	
Capital stock		**P2,000,000**	P2,000,000
Additional paid-in capital		**264,300**	264,300
Retained earnings		**8,808,640**	7,953,879
Hedging reserve	*16*	**(415,403)**	(286,578)
Fair value reserve		**(5,820)**	(5,820)
Total		**P10,651,717**	P9,925,781

24. Financial Instruments

The table below presents a comparison by category of carrying amounts and estimated fair values of all the Company's financial instruments as at December 31, 2016 and 2015.

		2016		2015	
	Note	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
			(In Thousands)		
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	*6*	**P4,652,738**	**P4,652,738**	P3,205,381	P3,205,381
Trade and other receivables - net	*7*	**375,804**	**375,804**	324,435	324,435
Deposits	*12*	**34,958**	**41,426**	32,886	40,679
		5,063,500	**5,069,968**	3,562,702	3,570,495
AFS financial assets	*12*	**2,652**	**2,652**	2,652	2,652
		P5,066,152	**P5,072,620**	P3,565,354	P3,573,147
Financial Liabilities					
Other financial liabilities:					
Trade and other payables	*14*	**P1,858,143**	**P1,858,143**	P1,278,938	P1,278,938
Port concession rights payable		**8,120,887**	**9,528,586**	7,859,643	9,402,138
		P9,979,030	**P11,386,729**	P9,138,581	P10,681,076

Fair Value of Financial Instruments
The fair values of cash and cash equivalents, trade and other receivables and trade and other payables are approximately equal to their carrying amounts due to their relatively short-term nature.

Non-derivative Financial Instruments
Quoted market prices have been used to determine the fair values of listed AFS financial assets. The fair values of unquoted AFS financial assets are based on cost since the fair values are not readily determinable.

For noninterest-bearing deposits, the fair value is estimated as the present value of all future cash flows discounted using the prevailing market rate on interest for a similar instrument. The discount rates used are 4.7% in 2016 and 4.1% in 2015.

The fair value of port concession rights payable was estimated at the present value of all future cash flows discounted using the application rates for similar types of loans ranging from 4.80% to 5.52% in 2016 and 4.14% to 5.45% in 2015.

Fair Value Hierarchy
The following table shows the levels in the fair value hierarchy of the Company's financial instruments:

As at December 31, 2016	***Note***	**Level 1**	**Level 2**	**Level 3**
			(In Thousands)	
AFS financial assets	*12*	**P933**	**P -**	**P1,719**
Port concession rights payable		**-**	**9,528,586**	**-**
		P933	**P9,528,586**	**P1,719**

As at December 31, 2015	*Note*	Level 1	Level 2	Level 3
			(In Thousands)	
AFS financial assets	*12*	P933	P -	P1,719
Port concession rights payable		-	9,402,138	-
		P933	P9,402,138	P1,719

There have been no transfers from one level to another in 2016 and 2015.

25. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs. The following are the tax information/disclosures required by Revenue Regulations No. 15-2010 for the taxable year ended December 31, 2016:

A. Value Added Tax (VAT)

1. Output VAT	**P472,988**
Basis of the Output VAT*:	
Vatable sales	**3,941,570**
Sales to government	**1,476**
Zero rated sales	**5,386,451**
	P9,329,497

** The base amounts are gross of PPA fees.*

2. Input VAT	
Beginning of the year	**P404,766**
Current year's domestic purchases:	
a. Goods other than for resale or manufacture	**41,988**
b. Capital goods subject to amortization	**17,347**
c. Services lodged under cost of goods sold	**352,969**
d. Services lodged under other accounts	**16,722**
Claims for tax credit/refund and other adjustments	-
Balance at the end of the year	**P833,792**

3. Customs Duties and Tariff Fees:	
Landed cost of imports	**P27,671**
Customs duties paid or accrued	**4,440**
Tariff fees paid or accrued	-
	P32,111

B. Documentary Stamp Tax

Others (insurance policies)	**P6,411**

C. Withholding Taxes

Creditable withholding taxes	**P89,552**
Tax on compensation and benefits	**156,928**
Final withholding taxes	**44,109**
	P290,589

D. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" account in profit or loss	
Real estate taxes	**P173,254**
Mayor's permit	**50,745**
Others	**13,109**
	P237,108

E. Deficiency Tax Assessments

As of December 31, 2016, the Company has not received deficiency tax assessment notices from the BIR.

F. Tax Cases

As of December 31, 2016, the Company has no pending tax court cases.

Information on the excise taxes is not applicable since there are no transactions that the Company would be subject to this type of tax.